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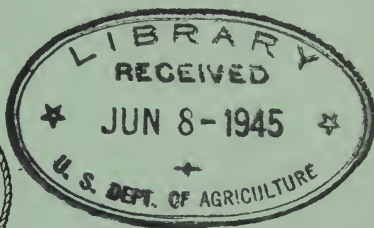
AGRICULTURAL ADJUSTMENT

1937-38

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A Report of the Activities Carried on by the Agricultural Adjustment Administration

Under the Provisions of the Agricultural Adjustment Act of 1938, the Soil Conservation and Domestic Allotment Act, the Marketing Agreement Act of 1937, the Sugar Act of 1937, and Related Legislation, from January 1, 1937, through June 30, 1938



UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

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UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1939

LETTER OF TRANSMITTAL

UNITED STATES DEPARTMENT OF AGRICULTURE,
AGRICULTURAL ADJUSTMENT ADMINISTRATION,
Washington, D. C., November 26, 1938.

HON. HENRY A. WALLACE,
Secretary of Agriculture.

DEAR MR. SECRETARY: Herewith is transmitted the fifth report of the farm programs that have been carried on for the benefit of agriculture and in the public interest through the Agricultural Adjustment Acts, the Soil Conservation and Domestic Allotment Act, the Marketing Agreement Act of 1937, the Sugar Act of 1937, and related legislation.

An especial effort has been made to prepare a report sufficiently comprehensive and objective to be of the greatest value to yourself as Secretary of Agriculture, to Members of the Congress, and to others of the general public who are particularly interested in present and future problems of American agriculture. For their valuable help toward this end, particular credit is due to Harold B. Rowe, of Brookings Institution, who during a temporary appointment to the Agricultural Adjustment Administration outlined and assembled the economic analyses on which many of the conclusions of the report are based, and to Alfred D. Stedman, Assistant Administrator, who helped in shaping and editing the entire report.

The report is submitted with a recommendation that it be printed.

Sincerely yours,

A handwritten signature in dark ink, reading "H. R. Tolley". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Administrator.

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Agricultural Adjustment 1937-38

CHAPTER 1

THE BACKGROUND OF AGRICULTURAL ADJUSTMENT

In the years since the founding of the United States the country has changed from a nation of farmers to a nation in which only one-fourth of the population lives on farms. As late as 1870 more than half of the gainfully employed in the United States were in agriculture; by 1930 the proportion had fallen to a little over a fifth.

This change has been due to a variety of causes. There has been an expansion of commercial and distributive services as manufacturing and processing took precedence over cultivation of crops and extraction of natural resources from the earth. A division of labor has developed in which farmers concentrated on raising foodstuffs and fibers while city workers took over many of the other tasks formerly performed on self-sufficient farms. An increase has taken place in services of transportation, communication, and government which the existence of large urban areas made progressively necessary. Underlying all these has been the advance of technology and invention.

I. EVIDENCES OF THE NEED FOR AGRICULTURAL ADJUSTMENT

This general transition from an agricultural to an industrial nation is a normal development and does not in itself warrant national programs to assist agriculture. There are, however, a number of factors, some inherent in the present economic structure and some historical, which have operated to throw agriculture out of adjustment with the rest of the economy and to thrust upon it a disproportionate burden of readjustment. The inability of agriculture to make this readjustment as part of its normal operations is evidenced in many ways.

On either a total or per capita basis rural money incomes are low in comparison with urban money incomes. Although noncash income which farm families receive from such sources as products raised on the farm and the use of farmhouses lessens the discrepancy which appears in the cash-income figures, the difference between the taxable resources in rural and in urban areas is clearly indicated by marked contrasts between rural and urban educational standards and public health services. The difference in remaining incomes available for

family living is indicated by relatively smaller numbers of automobiles, radios, telephones, and household appliances in use among farm as contrasted with city families.

This lower level of rural as compared with urban income is traceable, in part, to the smaller proportion of farm population in the productive age group. The country districts support, during the years of dependency, large numbers of children who move to the city when they reach working age. At the other end of the scale, the country districts have more people over 65 than do the cities. Security, however, although on a standard of living lower than the city standard, is apparently greater on the farm than in the city. This is attested by the large-scale movement from industrial to rural areas during the depression.

Further evidence of the need for adjustment is to be found in the continuous loss of soil fertility and actual physical destruction of the soil itself. These soil losses are attributable partly to purely individualistic competition in the sale of soil fertility. To some extent, soil losses are also a natural result of unfortunate systems of land tenure, and large fixed charges contracted for during land booms. Soil destruction is due partly to the low level and instability of farm income which have frequently made it difficult or impossible to maintain soil resources.

Evidence of the unusual difficulties of agriculture is to be found also in the recurrent farmer movements. The weakened position of agriculture as compared to industry was apparent after the Civil War. The Granger movement of the 1870's with its demand for the regulation of the railroads and for antitrust legislation, and the Populist movement of the 1890's with its demand for currency reform, reflected the pressure on agriculture of systems of transportation, distribution, and credit dominated by the nonagricultural groups. The acute disadvantage of agriculture following the World War galvanized the agricultural group into new types of action. The cooperative movement was extended in an effort to give farmers some of the types of advantages enjoyed by industrialists through the device of the corporation. The farm organizations, new and old alike, became increasingly concerned with the collective aspects of agriculture's problems.

II. SOURCES OF AGRICULTURAL DISADVANTAGE

The factors which underlie the difficulties of agriculture and which have made it advisable to take steps for positive assistance to agriculture may be outlined as follows:

In the first place, production in many commodities tends to be highly irregular. This irregularity flows from such influences as the relative inelasticity of the demand for farm products and from the lack of organization of the farm business. The inelasticity of demand causes prices to be high in years of low production and low in years of large production. To the numerous small-unit producers in agriculture the market for their products appears almost infinitely elastic in the sense that production adjustment on the part of an individual producer cannot affect the prices he receives. As a result, farmers as a group tend to overexpand when prices are high. This is a particularly unfortunate tendency when the high prices are

merely the result of low yields and consequent short supplies. Farmers also as a group tend to be reluctant to reduce production when prices are low because of the necessity of meeting fixed charges. Furthermore, the small farmer, unlike the manufacturer, cannot reduce operating costs by discharging large groups of workers.

Another factor giving rise to problems of agricultural adjustment has been the decline in foreign outlets for farm products.

In the latter half of the nineteenth century agricultural exports were large and were a vital factor in the economic advance both of the United States and of western Europe. Exports of food and raw materials helped to industrialize Europe. These exports also enabled the United States to repay the large foreign debt which it had contracted in the period prior to the attainment of American industrial maturity.

The trend of agricultural exports turned definitely downward at the beginning of this century, but this decline was offset by the expansion of the domestic demand for agricultural products, and no serious problem of adjustment appeared. The World War, however, caused an enormous expansion of American agricultural exports which could not be maintained because of the temporary nature of the foreign demand, the rise of new policies of agricultural self-sufficiency abroad, and the new creditor position of the United States. The necessary adjustment to the new level of foreign demand has not yet been carried out.

A further source of agricultural disadvantage is to be found in the relations between agriculture and industry. Agriculture has for many years been handicapped by lack of protection equal to that afforded industry by the tariff. Since the time of Hamilton's Report on Manufactures great emphasis has been placed upon the benefits which would accrue to agriculture from the subsidization of industry. While agriculture undoubtedly derived early benefits from this protection policy, the later results have been largely of an opposite nature. Prices of manufactured goods have been high as compared to those of agricultural commodities, and transportation rates and middlemen's margins have been increased. The result has been that the prosperity created for industry has left agriculture a relatively unpromising field for enterprise. Not only has the pressure on the marginal farmers been severe, but also much of the best rural manpower has moved to the cities. Along with this protectionism has gone a feverish exploitation of mineral, timber, and soil resources. Even when the measures of agricultural assistance such as technical research, education, and credit are thrown into the balance, the one-sidedness of our protective policies is manifest. The net effect has been to shift an excessive burden of economic adjustment upon agriculture.

Moreover, with the rise of industry have come large-scale enterprises and combinations of enterprises. For the most part, the control of these units has become highly concentrated. This has resulted in the introduction of "administered price" policies and the conscious adjustment of production to effectuate these policies. Ability to adjust production arises not only from the centralization of economic authority, but also from the production organization of industry, which permits part-time operation or complete shut-down through

the simple expedient of discharging workers. The result of industrial price policies has been a comparative inflexibility of industrial prices as compared with agricultural prices.

III. EARLY MEASURES OF AGRICULTURAL ASSISTANCE

Up to the beginning of the post-war period it seemed that governmental assistance to agriculture in the United States had two broad objectives. These were: (1) Rapid exploitation of the natural resources of the country, and (2) facilitation of the competitive process on the theory that active and free competition between individuals would best serve the economic welfare of the Nation as a whole. Exploitation of natural resources was hastened by subsidies of various sorts, while the competitive ideal was pursued chiefly by trying to increase the productive efficiency of individuals on the one hand and to enforce competition in spheres where monopolistic influences were present on the other.

The land policies of the Federal Government were the first development in the relationships between government and agriculture. The Homestead Act of 1862, and its modification in 1864, permitted actual settlers who lived on the land and cultivated it to gain title to tracts up to 160 acres. There were numerous supplementary acts. The Timber Culture Act of 1873, for example, granted 160 acres of land to anyone who would plant a limited portion of them in trees and cultivate them for a period of years. The Desert Land Act of 1877 provided for the sale of large tracts at low prices to persons who would irrigate them. Paralleling this policy of stimulating the acquisition of agricultural land by cultivators was that of stimulating the construction of transcontinental railroads by means of lavish grants of land, and in some instances by subsidies in the form of gifts of Government bonds.

Along with its land policies, the Government lent its aid to the improvement of crops, livestock, and soils. This aspect was particularly important in the period 1862-87, which saw the creation within the Department of Agriculture of a Division of Chemistry (1862) and a Division of Entomology in the year following. In 1884 Congress created the Bureau of Animal Industry, and in 1887 it passed the Hatch Act which established the system of State experiment stations.

Other objectives and lines of development appeared in subsequent years. These intermingled and overlapped. From about the turn of the century to the post-war period, great emphasis was placed upon the protection of both farmers and the general public against unfair trade practices. The names of some of the more important laws indicate the nature of the efforts which were made. There were, for example, the Meat Inspection Act of 1890, the Animal Quarantine Act of 1901, the Grain Standards Act of 1901, the Insect Pest Act of 1905, the Food and Drugs Act of 1906, the Plant Quarantine Act of 1912, the Federal Warehouse Act of 1916, the Packers and Stockyards Act of 1921, and the Grain Futures Act of 1923.

Closely related to regulation designed to protect farmers and consumers against abuses arising in the marketing and processing of farm products were attempts to curb big business. This regulation was undertaken chiefly under the railroad and antitrust legislation which

stretched from the period of the Granger agitation to the World War. With respect to the railroads, the major pieces of legislation were the Interstate Commerce Act of 1887, the Hepburn Act of 1906, and the Mann-Elkins Act of 1910. The primary objective of these laws was to give the Federal Government effective control over rates. With respect to industry, the major laws were the Sherman Antitrust Act of 1890, the Clayton Antitrust Act of 1914, and the Federal Trade Commission Act of the same year. In general the aims of these laws were, first, to enforce competition, and second, to make this competition subject to certain minimum ethical standards.

Another important development has been the educational activities of the Federal Government. The first important step dates back to 1862, when professional training in agriculture was encouraged by the establishment of the land-grant colleges under the Morrill Act. The major educational effort, however, did not come until 1914, when the Smith-Lever Act established the extension service under which the technical advances made in the agricultural colleges, the experiment stations, and the research branches of the Department of Agriculture were carried out to the farm. In addition, the Smith-Hughes Act of 1917 provided Federal grants-in-aid to assist the States in developing programs of vocational education, including agricultural education.

Beginning in 1922 the Department of Agriculture moved beyond the point of bringing improved methods of production to the farm and began the dissemination of economic information which would enable individual farmers to make adjustments in the light of forecasts of prices of farm products. This outlook service began with the idea of recommending increases or decreases in the acreage of specific crops. But recommendations applicable to the country as a whole did not fit individual farming areas, and by about 1927 the forecasting of the prices of agricultural products became the major concern of the outlook committees. In 1931, however, the Department was prohibited from making price forecasts because of alleged bearish effects, particularly upon the price of cotton. At present, the outlook appraises the factors likely to affect the price of each commodity and usually indicates whether these factors weigh in the direction of higher or lower prices. Somewhat more definite statements are made with respect to the probable movement of the general consumer demand for farm products.

IV. RECOGNITION OF THE NEED FOR ADJUSTMENT

The earlier efforts here referred to have been continued by the Federal Government. It has carried forward most vigorously those designed to aid the individual in increasing the amount and improving the quality of his product and also those designed to place at his disposal economic information on the basis of which he can adjust his enterprise to market demand. But measures directed toward placing agriculture in a position comparable to that which industry has attained in the modern economy have become increasingly important, particularly in the post-war period.

Of particular importance since just before the World War have been the activities of the Federal Government with respect to agricultural credit. Here the broad objective has been to make credit

available to farmers at rates comparable to those secured by commercial and industrial borrowers and to establish institutions adapted to the peculiar credit needs of agriculture. The basic measures affecting agricultural credit were the Federal Reserve Act of 1913, the Federal Farm Loan Act of 1916, and the Federal Intermediate Credit Act of 1923. The Federal Reserve Act permitted member banks to rediscount certain agricultural paper and to make limited loans on farm real estate. The Federal Farm Loan Act established the system of 12 Federal land banks and also the private joint-stock land banks. This new structure greatly increased the availability of farm mortgage credit. The Intermediate Credit Act, an amendment to the Federal Farm Loan Act, established a system of 12 intermediate credit banks governed by the directors of the land banks. The function of these banks is to rediscount the paper of agricultural credit corporations, cattle loan banks, and State and national banks, provided that such paper rests on loans made to finance agricultural operations and matures within 3 years. In 1930 these banks were authorized to make loans to any financial institution presenting eligible agricultural paper.

There have been numerous other measures affecting agricultural credit, although many of these have been means of implementing large-scale measures of agricultural reform rather than means of improving the agricultural credit system as such. Since 1921 Congress has made special appropriations for crop and seed loans to farmers in distressed areas. Large sums have been made available through the operations of the Federal Farm Board (1929) and also through the Reconstruction Finance Corporation (1932). In 1933 agricultural credit activities of the Federal Government were coordinated under the Farm Credit Administration.

THE EFFORTS TOWARD COOPERATIVE ADJUSTMENT

The farm cooperative movement in the United States has been of long duration and has embraced a diversity of objectives which may be summarized under four broad categories. These are: (1) Reduction of wastes in the marketing system; (2) improvement of the product marketed, through standardized production, grading, and branding; (3) development of bargaining power by groups of farmers to offset that of buyers, particularly middlemen, and bring about higher prices for agricultural products; and (4) adjustment of production to demand. The first and second objectives looked toward an improvement of the existing competitive system, while the third and fourth looked toward a fundamental change in the competitive position of agriculture in relation to industry. These latter objectives became dominant following the drastic price declines of the post-war period.

Efforts to encourage the movement toward agricultural cooperation date from the Sherman Antitrust Act of 1890, when an attempt was made to introduce into the act a clause which exempted from its provisions agreements or combinations among farmers for the purpose of enhancing the prices of farm products. The Clayton Antitrust Act of 1914 contained a clause which declared that associations of agricultural producers without capital stock and not conducted for profit could not *ipso facto* be declared combinations in

restraint of trade. The legal position of the cooperatives was further strengthened by the Capper-Volstead Act of 1922, which specifically authorized the organization of farmer cooperatives provided they were for mutual benefit. They were not exempted from the antitrust laws, but prosecution was conditioned upon a finding by the Secretary of Agriculture that they unduly enhanced prices through the restraint of interstate commerce. Still further assistance was given to the cooperative movement in subsequent measures designed primarily to cope with the problem of the agricultural surplus.

THE SEARCH FOR A FARMERS' TARIFF

One of the long-standing grievances of agriculture has been the greater degree of protection accorded to industry by the tariff. Import duties ordinarily do not increase materially the domestic price of commodities which are sold in the world market, and this fact has limited greatly the usefulness of tariff to agriculture. Nevertheless, Congress raised the duties on many agricultural products in 1922 and again in 1930. Thus wheat, which was on the free list under the act of 1913, was subjected to an import duty of 30 cents a bushel in the act of 1922 and of 42 cents a bushel in the act of 1930, while a duty of 15 cents a bushel placed on corn in 1922 was raised to 25 cents in 1930. The ineffectiveness of these measures to help farmers in most years is well known.

The 1920's, moreover, found the American farmer with a productive plant geared to the abnormal demand of the war and immediate post-war years, and with high fixed charges inherited from the land booms of the same years. The business collapse of 1920 and the subsequent downward readjustment in foreign demand brought about a period of chronic low prices for export commodities. The drop in money incomes of farmers was not offset by a drop in the cost of goods which farmers purchased. A conviction grew that the root of the agricultural problem was the existence of an export surplus, in the sense of a supply in excess of domestic requirements which could not be disposed of in the world market except at unremunerative prices.

While many persons advocated a drastic contraction of agricultural output to meet the changed conditions an even more insistent demand arose in favor of schemes that would immediately raise prices and incomes without forcing such contraction. The price objective was to be a fair exchange value, the income objective a fair share of the national income. Between 1922 and 1929 appeared a group of closely related proposals: The equalization-fee plan, the export-debenture plan, and the domestic-allotment plan.

The equalization-fee plan was embodied in the original McNary-Haugen bill of 1924 and in the vetoed bills of 1927 and 1928. The precise method of operating the scheme varied considerably in the different bills. Essentially, it consisted of disposing of surpluses abroad at a loss which was to be absorbed by the farmers themselves through the collection from them of the so-called equalization fee. Because of the relative inelasticity of the demand for farm products in the domestic market, it was presumed that losses on sales abroad would be much more than offset by the enhanced prices received on that portion of the supply sold in the domestic market.

The export-debenture plan first received congressional consideration in the McKinley-Adkins bill of 1926. It received its greatest publicity in the Jones-Ketcham bill of 1928 following the vetoes of the McNary-Haugen bills. The schemes embodied in these bills were rather complex, but in effect they provided for the use of tariff revenue to pay export bounties on certain agricultural commodities: Wheat, corn, tobacco, cotton, hogs, and cattle. In the final bill the bounties on most commodities were made equal to one-half of their respective tariff rates. Congress did not enact this plan into law.

The domestic-allotment plan was proposed as an alternative to the export-debenture and equalization-fee plans. It was designed primarily to avoid the stimulus to expand production that some farm leaders thought was inherent in the other two plans, particularly the export debenture. The basic idea was to raise the price of the domestically consumed portion of each crop by the amount of its tariff duty, the surplus above domestic consumption requirements to be sold abroad at the prevailing world price. Farmers were to be given certificates permitting them to sell part of their crop (the domestic allotment) in the domestic market. These certificates or "rights" were to be sold to processors who would be required to have certificates equal to the total amount of any commodity which they proposed to sell in the domestic market. On production in excess of domestic allotments, farmers were to be given no certificates and were to receive only the world price. A modified plan, in which the transferable certificates were replaced by benefit payments which were to be paid on the domestic allotment out of the proceeds of a processing tax and which were contingent on limitation of output, was embodied in the Hope-Norbeck bills of 1932.

THE SEARCH FOR A MARKETING APPROACH

During the period 1929-32 the McNary-Haugen type of approach was not pressed by its sponsors in the face of the Federal Government sponsorship of a marketing approach. The Agricultural Marketing Act of 1929, which set up the Federal Farm Board, had as its broad objective the placing of agriculture on a basis of economic equality with other industries through the orderly production and marketing of farm products. The major provisions of the act dictated an attack in the marketing sector. The Federal Farm Board encouraged cooperatives to unify the process of agricultural marketing with the support of loans from a 500-million-dollar revolving fund in the hands of the Board. At the outset the Board apparently viewed the development of a system of cooperative marketing associations as its principal function.

But with the drastic decline of agricultural prices which began in the latter part of 1929 the Board shifted its emphasis to the stabilization of agricultural prices. This was attempted first by making loans to cooperatives to enable them to hold their products from the market, and later by the organization of stabilization corporations for wheat and cotton. These corporations not only purchased commodities directly in the market but also took over supplies held by the cooperatives. These corporations were originally intended to be creatures of the cooperatives themselves, but, although they were legally organized as cooperative-owned enterprises, the Farm Board

took over the actual financing and operation and assumed all the risks.

The Board lost heavily upon commodities held through the stabilization corporations and concluded that gains from holding could be realized only if production was held in line with marketings. This experience was very influential in making production control a feature of the Agricultural Adjustment Act of 1933.

With the deepening of the agricultural depression, and its final development into a major factor in the general economic collapse, all of the currents which had been flowing in the direction of the formation of a strong agricultural policy converged. The result was the enactment of the Agricultural Adjustment Act of 1933.

These different currents included the excessive swings in agricultural prices, exploitation and destruction of soil fertility as a result of unlimited competition at low price levels, losses of export markets, and disadvantages to agriculture resulting from increasing organization of industry through the growth of corporations.

Powerful impetus to the plan of action outlined in the Agricultural Adjustment Act was given by the experience of the Federal Farm Board. After the failure of its attempts to maintain farm prices and farm income without having any control over supply, the Farm Board itself concluded that organization of farmers to give them some degree of production control would be an essential part of any farm program that could have a real chance of lasting success.

As a result of the various needs and movements outlined in the foregoing pages and of the experiences of the Federal Farm Board, and of farmers' marketing cooperatives, in attempting to grapple with economic forces without any adequate legal mechanism, the Agricultural Adjustment Act was passed by Congress. It was one of the first acts in the special session which was called by President Roosevelt at the beginning of his administration and it was signed by the President on May 12, 1933.

CHAPTER 2

SUMMARY OF RECENT ADJUSTMENT LEGISLATION

Consideration of the various proposals for meeting the problems outlined in the preceding chapter was overshadowed early in 1933 by the immediate need for coping with the national economic emergency which had arisen. Consequently, the major farm legislation embodied in the Agricultural Adjustment Act, approved May 12, 1933, was designed first of all to deal with the Nation-wide agricultural emergency, and in this way help to meet the general economic crisis confronting the Nation.

The new Agricultural Adjustment Act sought to achieve its objective by directly bringing about an increase in farm buying power. This was to be done to the end not only that the farmers' economic plight might be relieved by an immediate increase in income but that urban industries as well might benefit by a subsequent increase in farm purchases of factory goods.

In adopting means to attain this end, Congress was undoubtedly strongly influenced by the results of the Federal Farm Board experiment, which indicated to its own members and others that a program of lifting prices unsupported by some form of production control could not be permanently successful. Production control, therefore, was the dominant feature of the first Agricultural Adjustment Act.

I. THE AGRICULTURAL ADJUSTMENT ACT OF 1933

Under the provisions of this act the Secretary of Agriculture was empowered to provide for a reduction of acreage, or a reduction in the production for market, or both, of any basic agricultural commodity through agreements with producers or by other voluntary methods.

To accomplish this the Secretary could make benefit payments to producers who reduced their acreage or production for market of basic commodities under agreements with the Secretary. He could also make payments on that part of the production of any basic commodity required for domestic consumption. The commodities designated as basic in the act were cotton, wheat, tobacco, field corn, hogs, rice, and milk and its products. Cotton producers who signed acreage-reduction contracts were given the option of purchasing from the Secretary an amount of cotton not in excess of their estimated reduction in production at the price at which the Secretary purchased cotton from other governmental agencies.

As another method of increasing farm purchasing power, the Secretary was authorized to enter into marketing agreements and to issue

licenses to processors, associations of producers, and others engaged in the handling of any agricultural commodity in interstate or foreign commerce. These licenses aimed at better returns to growers and the elimination of unfair trade practices or charges that tended to prevent the restoration of normal economic conditions in the marketing of such commodities.

The act was financed through (1) an appropriation of \$100,000,000 and (2) an excise tax levied on the processing of any basic commodity on which benefit payments were to be made. The tax funds could be used for the expansion of markets and the removal of surplus agricultural products, as well as for benefit payments and administrative expenses.

THE BROADENING AMENDMENTS OF 1934

In 1934 a number of laws were passed modifying and broadening the scope of the original Agricultural Adjustment Act. In the amendments, particularly in those concerning sugar, and in supplementary statutes as to cotton and tobacco, the marketing approach to the adjustment problem again received considerable emphasis.

The Jones-Connally Cattle Act.—The first of the 1934 amendments was the Jones-Connally Cattle Act, approved April 7. This act (1) added cattle, peanuts, rye, flax, barley, and grain sorghums to the original list of basic commodities; (2) authorized an appropriation of \$200,000,000 to provide for surplus reductions and production adjustments in the dairy- and beef-cattle industries and to support and balance the markets therefor; (3) authorized the appropriation of an additional \$50,000,000 to be used for relief purchases of dairy and beef products and for the elimination of diseased dairy and beef cattle. Under this act the A. A. A. program for the elimination of cattle afflicted with tuberculosis, Bang's disease, and mastitis, and the 1934 Drought Emergency Livestock Purchase Program were begun.

The Bankhead Cotton Act.—The Bankhead Cotton Act, approved April 21, 1934, supplemented the original Agricultural Adjustment Act by adding to the voluntary acreage-reduction methods a control over the volume of cotton marketed. It imposed no actual limitation upon the growing of cotton but did provide for establishment of a national quota of cotton marketing and for apportionment of this national quota among individual farms. Ginning of cotton from a given farm in excess of the tax-exempt allotment made to that farm was subject to a tax. Proceeds from the tax were to be used in connection with the cotton-control program. The allotments of individual growers were smaller than the production of those growers had been during the base period fixed in the act.

The act was to remain in force for the crop year 1934-35, and 1935-36 as well, if the President found and declared that the economic emergency with respect to cotton continued and if two-thirds of the cotton producers approved by referendum. It was in force for these 2 years, but was repealed by the act of February 10, 1936, as amended March 2, 1936.

The Kerr Tobacco Act.—Similar in intent to the Bankhead Cotton Act was the Kerr Tobacco Act, approved June 28, 1934. It added to the voluntary acreage reduction method a control over the volume

of tobacco marketed. A tax was imposed upon the sale of all tobacco with respect to which the act was applicable. Tax-payment warrants for use in paying the tax were issued under authority of the act to producers who entered into tobacco production adjustment contracts covering the amount of tobacco they were permitted to market under such contracts; while noncontracting producers were required to pay in cash the amount of the tax. The act was applicable to all tobacco harvested in the crop year 1934-35, except Maryland tobacco, Virginia sun-cured tobacco, and cigar-leaf tobacco, and to all tobacco harvested in the crop year 1935-36, except Maryland tobacco, Puerto Rican tobacco, and cigar-wrapper tobacco. Its application to later crops had to be approved by a vote of tobacco producers.

The act also enabled the Secretary to set up cigar-leaf tobacco import quotas. It was repealed by the same Act of Congress which repealed the Bankhead Cotton Act.

The Jones-Costigan Sugar Act.—The Jones-Costigan Sugar Act, approved May 9, 1934, added sugar beets and sugarcane to the list of basic commodities covered by the Agricultural Adjustment Act. It authorized the establishment of annual marketing quotas for domestically produced sugar and for sugar imported into the United States. Processing taxes on sugarcane and sugar beets were authorized. As in the original Agricultural Adjustment Act, funds derived from this source were to be used for benefit payments to cooperating sugar beet and sugarcane farmers.

THE EMERGENCY APPROPRIATION ACT

With the onslaught of the 1934 drought the Emergency Appropriation Act was approved June 19, 1934. To meet the emergency and necessity for relief in stricken agricultural areas, to remain available until June 30, 1935, it provided \$525,000,000 to supplement emergency funds and, in addition thereto, to extend aid to drought-stricken farmers. This act also made another \$100,000,000 available to the Secretary to be used to pay off debts and protect the title to cotton acquired for distribution under the cotton-option contracts and for expenses incident to such transactions.

THE DEROUEN RICE ACT

Because rice growers were asking for a rice program based on processing tax and benefit-payment provisions, the DeRouen Rice Act was approved March 18, 1935, as an amendment to the Agricultural Adjustment Act. It provided for a processing tax of 1 cent per pound on rough rice; the elimination of floor-stocks tax on clean rice; and the issuance of tax-payment warrants to be used to pay the rough-rice tax on rice from the 1933 and 1934 crops which had been purchased in accordance with provisions of the rice-marketing agreements and licenses or which remained in the hands of growers.

THE QUALIFYING AMENDMENTS OF 1935

Following the Supreme Court decision on May 27, 1935, in the *N. R. A.-Schechter Poultry Corporation* case, the Agricultural Adjustment Act was amended with a view to insure its constitutionality

and to strengthen, clarify, and simplify the legislative bases of the adjustment program.

These revisions were accomplished by amendments in the form of a new act, approved August 24, 1935, which limited and defined the authority delegated to the Secretary of Agriculture. Throughout the act he was directed rather than authorized to investigate facts and to effectuate specified correctives if investigations revealed certain conditions. Formulas for calculating processing-tax rates were laid down. References to interstate commerce were redefined in terms of previous Supreme Court decisions. The use of marketing orders in place of licenses was prescribed and these orders were specifically limited in their application and terms.

Strengthening and clarifying provisions of the new law included a redefinition of parity, provisions for certain payments other than rental and benefits, and for control of competing imports that tended to jeopardize the farm program. New provisions relating to specific commodities were inserted. The life of the Bankhead Act was extended to cover the crop years 1936-37 and 1937-38, if two-thirds of the cotton producers voting favored it. The Kerr Tobacco Act was also extended to April 30, 1939, with the provision that growers must approve that extension. Adjustment programs and processing taxes on rye and barley were provided for, and the adjustment program in effect for sugar was extended through 1937.

Another important provision which was contained in section 32 of the act of 1935 was an appropriation of an amount equal to 30 percent of the customs receipts of the Government to encourage domestic consumption and export of major farm commodities. This was the basis for the surplus relief, surplus removal, and surplus diversion programs of the A. A. A. Following enactment of this provision the Federal Surplus Relief Corporation was reorganized as the Federal Surplus Commodities Corporation, which since that time has been an important instrumentality in carrying out these programs.

The Potato Act of 1935 was embodied in these amendments. It established quotas for commercial marketing of potatoes and imposed a sales tax upon potatoes marketed in excess of the allotted quota. Miscellaneous provisions of the amendments included: (1) Encouragement of producer-cooperative enterprises and their activities; (2) authorization for appropriation of additional funds for eliminating diseased cattle; and (3) a marketing-agreement program for anti-hog-cholera serum.

THE EFFECT OF THE HOOSAC MILLS DECISION

The decision of the Supreme Court in the Hoosac Mills case on January 6, 1936, invalidating the production-control provisions of the Agricultural Adjustment Act, necessitated immediate action by Congress to protect the country from the consequences of sudden stoppage of the farmers' adjustment programs. In addition to legislation to furnish substitutes for these programs, some legislating had to be done to clear away the wreckage left by the Hoosac Mills decision.

Congress adopted the act of February 10, 1936, which has already been mentioned, repealing the Kerr Tobacco Act, the Bankhead Cotton Act, and the Potato Act. In addition, the Supplemental Appro-

priation Act, fiscal year 1936, approved February 11, 1936, appropriated \$296,185,000 to meet all the Government's obligations and commitments incurred as of January 6, 1936, under the provisions of the Agricultural Adjustment Act as amended.

This appropriation was necessitated by the Supreme Court's termination of processing-tax collections. The act also authorized the carrying out of the 1935 cotton price-adjustment payment plan, after provisions of the plan requiring the cooperation of producers in the abandoned 1936 production-control program were deleted. This same appropriation act also provided for limited payments to cotton ginners for additional expenses they had incurred in connection with administration of the Bankhead Cotton Act in 1935.

II. THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

In order that farmers might not be left wholly defenseless without any program after the Hoosac Mills decision, Congress immediately began work on legislation to take the place of invalidated parts of the Agricultural Adjustment Act. Sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act were enacted on February 29, 1936, within 8 weeks after the Hoosac Mills decision and became the chief basis for A. A. A. agricultural conservation programs.

On the basis of the new legislation, the Agricultural Adjustment Administration entered the second major phase of its activity. In this second phase, emphasis still was placed on the problem of increasing agricultural income but the increase was sought primarily through payments for the adoption of land uses and farm practices which would conserve and build up soil fertility instead of through the adjustment of production or marketing.

Payments or other grants of aid were authorized to farmers who cooperated in a voluntary adjustment of their land and farming practices in line with the act's declared policy of soil conservation. The payments were to be based on the farmer's treatment or use of his land, the extent of adjustment required, or on the domestically consumed portion of his normal production of certain commodities, or a combination of these factors. Payments also were to be based on the productivity of the land on which soil conservation practices were adopted. The Federal obligations incurred by such payments were limited to \$500,000,000 annually.

The act provided that Federal payments should be made directly to producers only until such a time as effective State agencies for accomplishing the purposes of the act had been set up, or until January 1, 1938. An amendment enacted on June 28, 1937, authorized direct Federal aid until January 1, 1942.

An additional section of the act of February 29, 1936, changed one of the purposes of expenditure of section 32 funds by making them available for making domestic allotment payments instead of for financing production-adjustment as originally provided. Other sections made the unexpended balances of the funds appropriated for the purchase of cattle and other agricultural products and for the elimination of diseased cattle under the Jones-Connally Act available for such purposes until June 30, 1937, and made the sum

of \$2,000,000 of the unobligated balance of the appropriation for relief purposes contained in the Emergency Relief Appropriation Act of 1935 available for wind-erosion control in the southern Great Plains area.

III. THE SUGAR ACT OF 1937

To carry on the sugar program after the Hoosac Mills decision, a congressional resolution was approved June 19, 1936, continuing in force the quota provisions of the Jones-Costigan Sugar Act until December 31, 1937. The resolution further provided for the discontinuance of the processing tax and contract provisions of that act. This earlier sugar legislation was repealed by the more comprehensive Sugar Act of 1937, approved September 1, 1937, which is now in effect. This act provides for the regulation of sugar marketings in interstate and foreign commerce by the imposition of quotas on the continental United States, the off-shore possessions, and foreign countries, much as was done under the Jones-Costigan Sugar Act.

Consumers are protected against excessive prices by a provision authorizing the Secretary to adjust his estimate of consumption requirements, which forms the basis of the quotas, so that under ordinary circumstances the total supply of sugar made available will not be less than necessary to give consumers a per capita consumption equal to the average of the 2-year period 1935-36.

In order to adjust the marketings of sugarcane and sugar beets in the continental United States, Hawaii, and Puerto Rico to the sugar marketings permitted under the quota provisions, the act authorizes payments of 60 cents per 100 pounds of recoverable sugar to producers in those areas, provided their marketings are not in excess of a given quantity of sugarcane and sugar beets. The payments are also conditioned upon meeting certain standards with respect to child labor and wage rates, performing certain soil conservation practices prescribed by the Secretary, and, in the case of producers who are also processors, the payments of fair and reasonable prices for sugar beets and sugarcane. The act further provides for the levying of an excise tax of one-half cent per pound on the manufacture and importation of sugar, and the money obtained therefrom is paid directly into the general treasury.

To carry out the provisions of the act, an annual appropriation of not over \$55,000,000 is authorized.

IV. THE MARKETING AGREEMENT ACT OF 1937

In order to clarify the legal status of the marketing programs, the validity of which was variously questioned following the invalidation of other sections of the Agricultural Adjustment Act of 1933 by the Hoosac Mills decision, the Agricultural Marketing Agreement Act of 1937 was approved June 3, 1937. The act provides for marketing programs which operate through marketing agreements or orders issued by the Secretary of Agriculture under specified conditions.

Under the provisions of the act the Secretary is authorized under certain market conditions to enter into marketing agreements with the producers, processors, and handlers of any agricultural commodity. He may issue orders, which are applicable to all handlers

of the commodity in question, only in the case of the following commodities and the products thereof (except products of naval stores and the products of honeybees): Milk, fruits (including pecans and walnuts, but not including apples and not including fruits, other than olives, for canning), tobacco, vegetables (except vegetables for canning, other than asparagus), soybeans, honeybees, and naval stores.

V. THE AGRICULTURAL ADJUSTMENT ACT OF 1938

Sections 7 to 17 of the Soil Conservation and Domestic Allotment Act were recognized by Congress at the time of their enactment as providing only a partial basis for operation of essential farm programs. Many Members of Congress believed that basic new legislation would become necessary to protect agriculture from forces which were continuing in their effects. This belief gradually became more widespread, and in August 1937 Congress passed a joint resolution expressing its intention to make permanent agricultural legislation the first order of business when it reconvened.

The Agricultural Adjustment Act of 1938 was enacted on February 16, 1938. With this statute the administration entered the third phase of its adjustment activity.

In many respects this phase marks the adoption of a middle course between the programs authorized by the original Agricultural Adjustment Act of 1933, which covered the early phases of adjustment activity, and those authorized by the Soil Conservation and Domestic Allotment Act of 1936, which covered the second phase.

The adoption of this middle legislative course resulted from the fact that the adjustment value of the programs begun in 1933 was considerably obscured by the great droughts of 1934 and 1936, particularly since these droughts in themselves effected an acreage and marketing adjustment much more widespread than any planned under the programs. Hence, the net legislative effect of the drastic drought adjustment was to emphasize a belief that the permanent solution to the agricultural problem lay in a conservation approach rather than in an acreage or marketing approach. The inclination to regard this conservation approach as affording permanent results of more value than those offered by the other approach was probably very largely induced by the consequences of the unexpected invalidation early in 1936 of basic provisions of the original Agricultural Adjustment Act. This event, in any case, hastened the acceptance of this approach almost to the exclusion of all others in the Soil Conservation and Domestic Allotment Act, which was approved less than 2 months later.

AN ALL-WEATHER EVER-NORMAL-GRANARY PROGRAM

Unusually favorable growing conditions in 1937, however, and the prospect of excellent crop conditions in 1938 revealed the inadequacy of the conservation approach alone in a series of years of bumper crops. A broader program based on control of larger reserves through storage seemed distinctly advisable if the problems both of surplus and of drought were to be met. This realization is embodied clearly in the Ever-Normal-Granary idea, which served as the starting point for the 1938 legislation, and which sought to combine

in one permanent program the constitutional features of each of the earlier programs.

The background of the new Agricultural Adjustment Act of 1938 might be said to consist primarily of three factors. The first of these was drought, which in 1934 and again in 1936 showed the need of an Ever-Normal Granary of larger reserve supplies of wheat and corn for food and feed. The second was the record crop of 1937 and the prospect of another big crop in 1938, a situation which threatened to ruin farmers with surpluses again. The third was the Hoosac Mills decision, which invalidated production control as a means of protecting farm prices. The Agricultural Adjustment Act of 1938 sought to meet the first two of these conditions by providing for an Ever-Normal Granary to store up larger reserves as added protection against drought, and to meet the third by substituting surplus control, that is, control of marketings in interstate commerce, for the production-control approach of the original adjustment act.

The structure of the 1938 act itself serves to emphasize the compromise which it effects between the early and intermediate legislation. The early sections of the act are a legislative strengthening and continuation of the conservation programs carried out under the Soil Conservation and Domestic Allotment Act, and the later sections set up marketing and storage provisions for control of surpluses. The new features of the act lie in the Ever-Normal Granary plan embodied in the provisions for encouraging commodity storage under certain market conditions and for beginning a Federal crop insurance program for wheat.

THE AMENDMENTS TO THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

The amendment specifying the mode of selection of local and county committees provides legal authority to use administrative procedure very similar to that which was already being followed as a result of the broad provision for utilization of local committees contained in the original act. The amendment requires the selection in a democratic manner of farmer committees, both community and county, to aid in the local administration of the programs. It specifies the appointment by the Secretary of Agriculture of State committees of from three to five resident farmers. The State director of the agricultural extension service is an ex officio member of the State committee, and the county agricultural extension agent is an ex officio member of the county committee.

The basis originally specified for determining payments to farmers was broadened by the inclusion of "their equitable share, as determined by the Secretary, of the national production of any commodity or commodities required for domestic consumption and exports." This represented a legislative change to an acreage allotment approach in place of the base-acreage approach of the earlier programs. It was a change that had already been begun administratively in the 1938 program. Methods of determination and apportionment of the national acreage allotments of certain crops are specified in the act.

Other amendments serve to give further assistance to tenants and to farmers receiving small payments. Tenants are safeguarded against lease changes which would increase a landlord's share of the

payments; and they are assured a division of payments between landlord and tenant in proportion as each shares in the crops or, in the case of payments for practices, as each contributes toward carrying out the practices.

Payments amounting to less than \$200 are scaled upward according to a specified schedule. And, as a limitation to large payments, beginning in 1939 all individual payments are limited to \$10,000.

A further amendment known generally as the McNary-Boileau amendment seeks to provide protection to dairy, livestock, and poultry farmers by conditioning conservation payments upon the avoidance of undue competitive expansion in these fields by other agricultural producers as a result of changes in land use brought about by the program.

THE EVER-NORMAL-GRANARY AND ALLOTMENT PROVISIONS

Regulation of the movement in interstate commerce of basic farm commodities is the foundation of the all-weather approach to agricultural adjustment found in the Agricultural Adjustment Act of 1938. On that basis the act seeks to provide for a continuous, stable flow of the major farm products into the Nation's markets at prices fair to both producers and consumers. To attain this end, mechanisms for regulation of surpluses of commodities are authorized in the reserve storage provisions, and mechanisms for protecting commodity price levels are authorized in the provisions for loans on stored commodities and for regulation of marketing through marketing quotas under definite conditions and in time of actual existence of surplus emergencies.

The acreage allotment provisions require determinations by the Secretary of the acreages with average yields needed to produce quantities of each of four basic crops—cotton, corn, wheat, and rice—sufficient to meet domestic, export, and reserve needs. Following upon these determinations, acreages for each of these crops are required to be allotted to the various producing States, and thereafter apportioned among counties and among individual producers.

The bases for these apportionments vary with the commodities, but in general the basis for the State and county allotments is past acreage, while that for the individual farm must take into consideration tillable acreage, crop-rotation practices, type of soil, and topography. The acceptance or rejection of the allotment as a basis of production is entirely voluntary with the individual producer.

The storage provisions authorize the Commodity Credit Corporation, upon recommendation of the Secretary and with the approval of the President, to make loans available on agricultural commodities. Under certain conditions the Corporation is specifically directed to make loans available to producers of cotton, corn, and wheat, at rates determined by prescribed percentages of the parity price of the commodity. The purpose of such loans is to encourage storage in times of surplus by making storage under such circumstances at least as profitable as immediate marketing, with a likelihood of its being even more profitable.

Regulations for the marketing of surpluses of the five basic commodities listed in the act are contained in the marketing quota provisions. Under these provisions, quotas regulating the amounts of

a commodity which may be marketed without penalty during the marketing year are applicable when specified conditions of oversupply exist. Upon the finding by the Secretary that such conditions do exist, quotas are applicable, but they are not to be made effective unless approved by at least two-thirds of the affected producers voting in a referendum on the question. Thus, as in the case of the acreage allotments, the acceptance or rejection of marketing quotas is voluntary with producers; but whereas an acreage allotment may be rejected under any circumstances by an individual producer, a commodity marketing quota, once it has been accepted by the producers of the commodity as a group, applies equally to all individuals designated by the terms of the act, and quota violators are subject to a price penalty for their excess marketing.

The act provides for review of marketing quotas by committees of farmers, with appeal therefrom to the courts, if individual farmers are dissatisfied with their quotas.

Special provisions for wheat establish the Federal Crop Insurance Corporation to inaugurate a Federal insurance program for this commodity. Under this program the insurance is against losses in yield through unavoidable causes and provides either 50 percent or 75 percent coverage. Both insurance premiums and insurance indemnities are computed in terms of wheat rather than money, so that the insurance reserves provide in effect an additional storage granary to be filled in years of fair or high yields and drawn upon in years when yields are low.

OTHER PROVISIONS OF THE ACT

Among a number of other provisions in the act, the following are most important from the standpoint of furnishing further legislative background for the adjustment programs:

1. The act authorizes the Secretary of Agriculture to prosecute before the Interstate Commerce Commission any freight-rate cases affecting the transportation of farm products.

2. It authorizes the establishment and maintenance of four regional laboratories to develop new uses and markets for farm products, and authorizes not over \$4,000,000 annually for this purpose.

3. It extends the time of operation of the Federal Surplus Commodities Corporation to June 30, 1942.

4. It requires commercial handlers of the five major commodities subject to marketing quotas to record and report such information as the Secretary of Agriculture requires in administering provisions of the act.

5. Beginning with the 1938-39 fiscal year, it requires division of funds for administering the act, the agricultural conservation programs under the Soil Conservation and Domestic Allotment Act, and the diversion and surplus removal programs, on the basis of 1 percent of the total appropriations for expenses in the District of Columbia and 2 percent for expenses in the States.

RECENT APPROPRIATION ACTS FOR ADJUSTMENT PROGRAMS

1. The act of August 25, 1937 (Public, No. 354), appropriated \$130,000,000 of "section 32" funds for price-adjustment payments to

1937 cotton producers who cooperate in the 1938 Agricultural Conservation Program.

2. The Department of Agriculture Appropriation Act, approved June 16, 1938, for the fiscal year ending June 30, 1939, appropriated \$500,000,000 for the 1938 Agricultural Conservation Program, and \$48,000,000 for the year's operation of the program under the Sugar Act of 1937.

3. The Price Adjustment Act of 1938, approved June 21, 1938, appropriated \$212,000,000 for parity payments to producers of wheat, cotton, corn (in the commercial corn-producing area), tobacco, and rice, who cooperate in the 1939 agricultural conservation program.

VI. LEGISLATION AND NATIONAL POLICY

This summary of recent legislation and the outline of earlier legislation given in the preceding chapter indicate the nature of the evolution which is taking place in national agricultural policy. The democratic nature of that evolution is evident not only in the legislative insistence that the adjustments be voluntary for the individual, but also in the increasing insistence that the nature and extent of the adjustments encouraged by the Government be determined more and more by the actual needs of the people as a whole.

It becomes evident, too, that the Agricultural Adjustment Act of 1938 is neither completely new nor definitely final; that it represents, rather, the present culmination of the years of struggle which led up to the Adjustment Act of 1933 and the 5 years of legislative, administrative, and judicial experience which have followed.

CHAPTER 3

PROGRAMS OF THE AGRICULTURAL ADJUSTMENT ADMINISTRATION

The legislative provisions summarized in the preceding chapter have been administered through the various programs carried out by the Agricultural Adjustment Administration. For the period prior to 1937 these programs have been described in previous annual reports and need not be recounted in detail here. But in order to analyze current activities, appraise results, and interpret long-time aspects of the programs, it is important to understand the essentials of what has been done each year. Hence, before discussing in detail the operations since January 1, 1937, a brief review of previous activities is desirable.

For convenience, the principal production adjustment operations undertaken during 1933-35, while the original Agricultural Adjustment Act was in force, may be considered separately from the soil conservation operations of the more recent period.

I. COMMODITY-ADJUSTMENT PROGRAMS, 1933-35

The central feature of Agricultural Adjustment Administration activity before the Supreme Court decision in the *Hoosac Mills* case was a series of production control or adjustment programs. These were used by producers of the basic commodities listed in the act, other than cattle and dairy products, and by producers of flax, barley, and grain sorghums.

The same general approach was used in all these commodity-adjustment programs. It embodied a combination of three specific methods authorized by the original Agricultural Adjustment Act.

These methods were: (1) Voluntary contracts between the Secretary of Agriculture and participating farmers, (2) benefit payments to contracting producers, and (3) taxes upon first processing of the respective commodities for domestic consumption. The function of these devices, their principles of operation, and the manner in which they were used, explain the real nature of the commodity-adjustment programs.

PRODUCER CONTRACTS

The essential provisions of each plan as it applied to individual farmers who participated were covered in the terms of the contracts. These varied among the different commodities according to the circumstances at the time the plan was developed, such as: (1) The nature of the enterprise affected, (2) the situation of the commodity and the manner in which this was analyzed, (3) the character of the

information or experience which could be drawn upon, and (4) the views of producers concerned. But in each instance the contract provisions covered the points which characterized the adjustment procedure as a whole.

It should be remembered that the early programs dealt with surplus emergencies. Hence all the plans sought to limit, at some point, the total output of the commodity concerned. Each contract therefore obligated the participating producer to restrict or limit his acreage or production in return for benefit payments. It was considered fairest and otherwise most desirable that, for a given commodity, such limitation be substantially uniform in relation to the usual or normal operations of each producer.

Hence, the first point that had to be established was a standard scale of operations to be used as the basis for the agreement. For this reason each contract established a base acreage or production for the particular farm to which it was applied.

Typically, the scale of operation during some previous period selected as most representative, or least affected by abnormal conditions, was taken as the base. Commonly an average of 2 or more years was taken. For some commodities the contract signer was permitted to choose from among several alternative methods of establishing a base the one which he judged to be the most favorable for his farm. This minimized the chance that an individual would be penalized because of unusual conditions on his farm during the base period. It also introduced an element of flexibility thought desirable in adapting the plans to the various conditions on different farms. The range of options offered to growers for determining their bases varied considerably, however, among the different programs.

Each contract signer agreed to limit his acreage or production to a specified percentage of his base. This percentage was fixed each year by the Secretary of Agriculture within limits provided in the contract. An exception was the case of corn, in which the contract ran for only one season. In its effect upon crops, this procedure meant that each contracting producer agreed to make a stipulated reduction in plantings, from his base acreage. Whether or not this involved any reduction from his current planting depended, of course, upon the amount of that current planting and upon the size of the base established for his farm. The closer the base to the current planted acreage, the smaller the reduction involved.

The difference between his base acreage and the acreage which the contract allowed him to plant was considered to be the acreage taken or kept out of production of the particular crop involved. In order to prevent these acres from being used to produce commodities for which other programs were in effect, their use was usually confined to the growing of soil-improving crops or food and feed for home consumption. Because of the acute feed shortage caused by the droughts of 1934 and 1936, limitations under several plans were relaxed in 1934, 1935, and 1936, and farmers were encouraged to use these lands for production of emergency forage crops.

Contracting producers were restrained from making adjustments in production at the expense of their tenants. Although enforcement was naturally very difficult, the contracts commonly prohibited signers from reducing unnecessarily the number of their tenants or share croppers below the number they had in 1933.

The remaining principal provisions of the commodity contracts specified payments to be made for the particular farms—usually by stipulating the basis and rates upon which the payments were to be computed—and prescribed their distribution between landlord and tenant.

BENEFIT PAYMENTS

The payments distributed among farmers who signed contracts under the respective commodity plans performed a double function.

Since they were conditioned upon compliance with the terms of the contracts, these payments provided the means of obtaining participation and thus reducing surpluses, with the purpose of restoring an equitable balance between the price received for the products that were marketed and the price paid by farmers for the commodities they customarily purchased.

But they also were direct contributions to farmers' incomes. Distributing them only to producers participating in the programs was an effective means of controlling the distribution of benefits as between those who cooperated in the program and those who did not cooperate. They were regarded as the economic main spring of the program.

These payments were specified in a number of different ways in the different commodity contracts, and were designated by a variety of terms. In general, however, they may be classed in three important types: (1) Payments at so much per acre (usually adjusted for productivity); (2) payments at so much per unit of the contracting farmer's pro rata share in the domestically consumed portion of the national production of the crop; and (3) payments per unit of the volume permitted to be sold or marketed.

Payments of the first type were made under the cotton and corn plans, of the second type under the wheat plan, and of the third type under the plan for hogs.

Plans developed for the several types of tobacco included variants of all these types, and still other types were used under other plans. Of these minor forms perhaps the most significant were payments intended to bring the producers' returns from marketing up to an established minimum, such as the cotton "price-adjustment" payments of 1935.

Rates of payment.—Several factors entered into the determination of the rates of these payments. The relative importance of these factors varied greatly among the different commodity plans. Certain important considerations had to be taken into account, however, in determining the rates of payment under all plans.

The first consideration sought was that payments should be large enough to assure contracting producers a total return at least as large as they would have received if they had not participated. This was necessary in order to secure the amount of participation required to make the balancing of production effective. As a general principle the payments were proportioned to the value of the crop which might otherwise have been produced on the land ordinarily devoted to the crop, but at the same time payments (except with regard to some kinds of tobacco) were calculated independently of yields in the year in respect to which they were made, so that they provided a measure of relief in case of crop failure.

In general, also, the consideration of obtaining the maximum possible benefits for farmers entered into the determination of payments and of the basis upon which they were distributed. This was true particularly in the case of groups of farmers who had suffered the greatest reduction in income.

Finally, the amount of money available was a limiting factor in all cases. This amount was determined by estimates of proceeds to be obtained from processing taxes, plus any additional funds that Congress appropriated.

Time of payment.—Although all payments were conditioned upon producers' full compliance with the terms of their contracts, these payments were not withheld until such compliance could be certified. On the contrary, in order to bring about an immediate increase in farmers' purchasing power, the plans typically provided for paying a substantial part of the benefit payment as soon as possible after the contracts were approved. The remainder was paid after the producer's compliance with the terms of his contract had been checked. Some of the plans involved payments in more than two installments.

The original corn-hog plans recognized that Government payments constituted an important part of the benefit of the plan. In order to make these payments large enough to assure immediate relief in rural areas, rates of payments under the contracts for the first season were set so high that they called for the distribution, in the first year, of the expected proceeds of 2 years' processing taxes. Similarly the wheat plan provided for benefit payments in three seasons, although the plan was to adjust production in only two seasons.

PROCESSING TAXES

Financing of programs by a tax on the first domestic processing was an essential feature of the commodity-adjustment plans. Since this tax was accompanied by a system of export refunds it had the general effect of taxing only that part of the commodity which was used for domestic consumption. The legislation authorized the rate of the tax to be fixed at an amount equal to the difference between the current average farm price and the parity price. Compensating levies were applied to the importation of products, the processing of which would have been taxed domestically, and in a few instances the processing tax was supplemented by taxes upon competing commodities which were designed to prevent shifts to the use of such commodities. Proceeds of all of these taxes were appropriated in advance, and thus largely provided for a continuous financing of adjustment operations without equal appropriations.

The processing taxes performed an important function beyond that of financing payments. Since these taxes together with the export refunds actually laid a tax burden only upon that part of the commodity used for domestic consumption, their first effect on a commodity moving freely in international trade tended to be the effectuating of a difference between the price paid by foreign consumers and that paid by domestic consumers.

To the extent that the taxes actually had this effect they served to establish a relatively higher price to domestic consumers without restricting the flow of the product to export markets. Hence, from

the standpoint of consumers, they constituted an economic equivalent of a two-price arrangement such as was contemplated by both the McNary-Haugen bill and the original domestic-allotment proposal.

When applied to a commodity such as hogs, for which domestic demand was not inelastic and for which the volume of exports was restricted by foreign quotas and similar measures, the amount collected through the processing tax was not a net addition to the sum paid for the commodity by consumers. Therefore, given certain supply and demand conditions, the tax tended to reduce the market price to producers below what it would have been in the absence of the tax.

To the extent that this occurred, part of the returns which producers, both participants and nonparticipants, would have received from the marketing of their products was withheld from the sale price and transmitted to cooperating producers in the form of payments.

For cooperating producers the effect on price was more than offset by the benefit payments which they received. In the case of non-cooperators, however, the amount of price taken out as a tax was not restored to them, although they did share in the benefit of the program to the extent that emergency conditions were averted, and market prices were improved.

SUPPLEMENTAL FEATURES

Although alike in employing the basic mechanism of voluntary contracts through which farmers agreed to limit their acreage or production in return for benefit payments made from the proceeds of processing taxes, the commodity-adjustment plans differed in the way they were applied. Some of the variations in details of operation reflected fundamental differences in principle.

In all cases the plans were designed to (1) provide producers with supplemental income in the form of Government payments to those who participated, and (2) increase or maintain farmers' returns from sales of their products by raising or supporting prices through the balancing of production with demands. But the emphasis upon these two types of benefits was not uniform among the various commodities.

For example, with respect to cotton and some types of tobacco the major emphasis was placed upon immediate limitation of output in order to prevent excessive new supplies from coming on the market, to facilitate the liquidation of stocks deemed to be excessive, and to restore producers' prices to more equitable levels.

Hence the cotton-adjustment plan attempted definite restriction of acreage and production in all three seasons, while the wheat plan involved more moderate limitations which farmers were asked to apply in only two seasons, although benefit payments were made in all three seasons.

In those plans which placed the greatest emphasis upon the distribution of benefit payments to supplement income directly, the restriction upon production amounted mainly to a check against excessive expansion in response to increased income. In the most extreme case of this kind, sugar beets, the limitation was placed so high as to permit, in fact, an actual and considerable expansion.

These variations in principle underlying the different plans account in part for the variation in the use of other devices to supplement the application of adjustment procedure to particular commodities.

An important auxiliary method applied to cotton and tobacco and designed to reinforce the voluntary contracts was that of levying substantial taxes upon marketing in excess of quotas. This method was added to the program by the Bankhead Cotton Act and the Kerr-Smith Tobacco Act.

Emergency pig- and sow-marketing program.—Another measure for obtaining immediate reduction of surplus was the emergency program in which growers marketed 6,000,000 pigs and 250,000 sows with Government aid in late 1933. As a result of this operation the number of hogs sold in the 1934-35 season, although very large because of the number of marketings forced by drought shortage of feed, was considerably reduced below what it otherwise would have been. The feed which would have been consumed by the 6,000,000 pigs and 250,000 sows in the winter of 1933-34 was largely conserved on farms where it was available to mitigate the acute shortage which resulted from the drought of 1934. As a byproduct of this undertaking 96,000,000 pounds of hog products were distributed through relief channels.

Commodity loans.—Government loans to farmers on the security of stored commodities constituted a very important help in maintaining farm prices during these first 3 years of A. A. A. operation. Such loans were made on cotton and corn in all three seasons, and, in a much smaller way, upon stored gum turpentine and rosin in 1935.

The loans were made only on commodities in connection with which adjustment or marketing-control plans were in operation during the period. In each year they were offered only to growers on their crops for that season, and were available only to participants in the adjustment plans. They were made at fixed rates, regardless of the borrower's location and the distance from terminal markets at which the collateral commodities were stored. The loan value established for collateral was uniform except for differentials specified for major differences in the commodities. In all cases interest was charged at 4 percent per annum, and the terms permitted the borrowers to pay off their loans and take back the collateral or surrender the collateral in full payment.

The rates of these loans at times exceeded the market price during the period when they were outstanding, as was the case with the loan on corn in 1933 and the loan on cotton in 1934. Since these loans imposed no liability for repayment beyond the value of the collateral, there was no incentive for borrowers to repay them unless they could sell the commodity for more than the amount of the loan. Hence, loans at or above the price at the farm tended to check the marketing of the commodity until this price reached the level of the loan value. The price was, in effect, supported at this level by the loan. Insofar as they had this result, the loans were thus a powerful aid in enhancing the price.

This was particularly important when the price-raising effect of surplus control could not otherwise be realized until a succeeding season. Under such conditions the loans enabled producers to re-

tain title to products which might otherwise have been sold. Thus the loans contributed to the immediate support of farm prices. At the same time they made it possible for producers rather than speculators to obtain benefit from price increases which otherwise would not have occurred until after the farmers had sold their products. For these reasons the loans on cotton and corn at times had an important effect in assisting in the maintenance of farm prices.

Marketing agreements.—Price-supporting marketing agreements were another and a different method by which grower prices were raised during the interval before supplies in the market reflected the effects of production adjustment.

Six such agreements covering the principal kinds of tobacco were negotiated with leading manufacturers. These agreements differed in details but were fundamentally alike in purpose and nature. Their provisions were limited to the fixing of minimum quotas which manufacturers would buy at prices equalling or exceeding an agreed-upon average. In effect they amounted to a series of price bargains with the processors, covering a major portion of the tobacco produced in 1933.

The purpose of these agreements was to raise growers' returns from this crop which otherwise would have been sold before production could be adjusted sufficiently to affect market supplies and prices significantly. Hence, they supplemented production adjustment in tobacco as the price-supporting loans did for cotton and corn. But they accomplished this purpose through arrangements for manufacturers to buy virtually the whole supply and thus clear the market. In a sense, therefore, their method of operation was opposite to that of the commodity loans designed to accomplish the same purpose by facilitating the withholding of supplies from market.

A seventh tobacco marketing agreement of a quite different type was developed for shade-grown, cigar-wrapper tobacco. Under this agreement, growers and handlers developed a plan for maintaining substantial regulation of the production and marketing of this product. This agreement has remained in force since it was first applied in 1933 and represents a unique, though minor, commodity undertaking within the A. A. A. program as a whole.

Marketing agreements were also used in other ways to supplement production adjustment for wheat, rice, and peanuts. Under the provisions of a marketing agreement the exportation of some 28,000,000 bushels of wheat from three Pacific Northwestern States was subsidized. These operations were financed by allocating for this purpose the proceeds of about 2 cents per bushel of the wheat-processing tax. The cost of this operation was approximately \$6,500,000.

Under marketing agreements covering peanuts and rice, attempts were made to apply plans incorporating production-adjustment features, but not employing processing taxes, benefit payments, or producers' contracts. The rice agreements were superseded by a more typical production-adjustment program in the second year, and the same step was taken with respect to peanuts after they had been added to the list of basic commodities through the amendments of April 7, 1934.

Marketing agreements were also used extensively with respect to dairy products, which were included in the list of basic commodities

from the beginning. However, in this use they were not developed as supplements to the production-adjustment procedure, which has never been applied to the dairy industry. Along with drought-relief activities, various types of diversion operations, and marketing agreements for nonbasic commodities, they may be taken up most conveniently in another part of this report, where their development during the whole period prior to 1937 can be discussed.

II. AGRICULTURAL CONSERVATION IN 1936

With invalidation of the processing taxes and original production-adjustment procedure by the United States Supreme Court on January 6, 1936, the repeal by Congress of the Bankhead and Kerr-Smith Acts on February 10, 1936, and the enactment of sections 7 to 17 of the Soil Conservation and Domestic Allotment Act on February 29, 1936, the over-all program of the Agricultural Adjustment Administration underwent rapid changes. Whereas prior to the Supreme Court decision, adjustment of acreage and production had been the primary objective defined by law, and soil conservation and farm management had been byproducts, after the decision the latter became the primary function under law, with production adjustment as the byproduct. The new Soil Conservation and Domestic Allotment Act sought to encourage and promote the adoption of farming methods that would involve less rapid exploitation of soil resources, reduce erosion of soil, and use a smaller percentage of cropland in the production of the major soil-depleting crops.

The basic procedure which characterized the new soil-conservation approach was the payment of cash benefits to farmers to offset the cost of soil conservation practices. Whereas, in the past, farmers had been forced in times of low prices to engage in competition in the sale of their soil resources for small returns, the new plan enabled them to engage in cooperative conservation. The payments were made to those taking land out of soil-depleting crops, increasing their acreage of soil-building and soil-conserving crops, and following practices helping to check erosion and reduce the depletion of soil fertility.

The nature of the 1936 program need not be described in detail in this report because it was fully set forth in the preceding report and because the 1936 program was similar in many respects to the 1937 program which will be detailed in this report. However, the essential steps involved were: (1) Classifying crops as soil-depleting and soil-conserving, and designating the soil-building practices to be encouraged; (2) determining the usual or normal acreages upon which these different types of crops are grown as the standard by which to measure changes; and (3) establishing the conditions under which payments would be made, and the rates of these payments.

As was related in the preceding report, crops which permanently remove large amounts of plant food from the soil, or are tilled in rows or by other methods that expose the soil to severe erosion, were classified under the 1936 program as soil-depleting. These include all the major cash crops. Crops which protect the soil from erosion and which, growing or turned under as green manure, store up plant food in the soil were classified as soil-conserving or soil-building. These included the legumes, perennial grasses, and new plantings of

forest trees. Practices preventing soil erosion, such as terracing, contour plowing, and strip cropping, and stimulating the growth of soil-conserving crops by applying lime and superphosphate, were defined as soil-building practices. General soil-depleting base acreages were established for the farm, with separate bases for cotton, tobacco, rice, peanuts, flax, sugarcane for sugar, and sugar beets. Two types of payments were made: A class I payment for diversion of land from soil-conserving crops by applying lime and superphosphate, were de-crops or adopting soil-building practices. The program was administered in Washington through six regional divisions—the Northeast, East Central, Southern, North Central, Western, and Insular Divisions, and locally through county agricultural conservation committees elected by the farmers.

The amount of the diversion from the general soil-depleting base for which the class I payment would be made was specified as not more than 15 percent of the number of acres in that base for the farm. The average rate of this payment for the county as a whole was \$10 an acre for land diverted from the soil-depleting base, varying for individual farms above and below this average in proportion as the productivity of the cropland on the farm was above or below the national average.

As a minimum condition to qualify for the class I payment, it was required that the total acreage of soil-conserving crops and soil-building practices on the farm in 1936 be at least 20 percent of the soil-depleting base for that farm, or else be equal to the acreage on which class I payments could be obtained.

In no case was the farmer paid for shifting more than 15 percent of his general soil-depleting base, but payments were approved for larger shifts in the case of the seven crops for which special bases were established, and different rates of payment were applied for diversion from these bases. For cotton the payment was 5 cents a pound on the average yield of the acres diverted into soil-conserving or soil-building uses, and this payment was made for diversion up to a maximum of 35 percent of the base acreage. Similar special arrangements were made for computing payments for land shifted from the bases established for tobacco, peanuts, and rice, with different rates and maximum percentages.

Under the 1936 program the maximum amount of the class II payment on any farm could not exceed \$1 for each acre of cropland used for soil-conserving crops in 1936. This limitation did not apply in any case where it would have limited the amount of the class II payment to less than \$10 for the farm. This last provision made it possible for every farm to participate in the program and to qualify for a cash payment of at least \$10.

As related in the preceding report, the 1936 program was worked out very rapidly and under great pressure. While it was an emergency program, it possessed some definite advantages. One was its flexibility in regard to the amount and kind of adjustment involved. Producers who could not economically divert acreage from soil-depleting uses could participate and qualify for class II payments on their soil-building acreages and practices. Moreover, except in the case of the seven crops for which special bases were established, the plan did not require an adjustment in any particular crop in order to qualify for class I payments. These were made for land diverted

from the general soil-depleting base and the participating farmer was free to apportion the base acreage among the various soil-depleting crops as he saw fit. Thus he had wide latitude for adapting the plan to his farm.

A second feature which aided in regional adaptation of the plan was the establishment of the special bases for certain crops. By setting up these bases, authorizing different amounts of diversion from them, and providing special rates of payment for this diversion, the plan was adapted to the special conditions of the crops in a larger degree than otherwise would have been possible.

Finally, separate provisions for classification of crops, designation of approved practices, and rates of class II payments, were formulated for each principal region. To some extent these provisions incorporated modifications applicable to different States.

Because the plan was thus made adaptable to major differences in farm conditions, the general conservation procedure was carried out through several distinct regional plans, all of which embodied the basic procedure and principles of operation which characterized the national plan. The regions that were established for purposes of regional administration had the following geographical areas:

The Northeast Region—Connecticut, Massachusetts, Maine, New Jersey, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont.

The East Central Region—Delaware, Kentucky, Maryland, North Carolina, Tennessee, Virginia, and West Virginia.

The Southern Region—Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, South Carolina, and Texas.

The North Central Region—Illinois, Indiana, Iowa, Missouri, Michigan, Minnesota, Nebraska, Ohio, South Dakota, and Wisconsin.

The Western Region—Arizona, California, Colorado, Idaho, Kansas, Montana, Nevada, New Mexico, North Dakota, Oregon, Utah, Washington, and Wyoming.

The Insular Region—Alaska, Hawaii, and Puerto Rico.

COMPARISON WITH EARLIER ADJUSTMENT PROGRAMS

This brief review of the 1936 soil-conservation program is intended to make clear its relation to the earlier production-adjustment program. The adjustment and conservation programs were alike in that both sought to achieve immediate improvement in farming conditions. To attain this end, both used the method of making payments to farmers. Moreover, under both plans payments were conditioned upon farmers' making certain adjustments in acreage as compared to a base which was intended to approximate normal.

There were, however, obvious differences between the two approaches. The commodity-adjustment plan aimed at parity of price, while the conservation plan aimed at conservation of soil resources. Under the commodity-adjustment plans, payments were arranged through the negotiation of adjustment contracts with the individual producer. Under the conservation plan no contracts were employed. Instead, the rates of payment and the conditions under which they would be made were simply announced so that farmers could make application for payments for which they were eligible, and payments

were disbursed when it was established that the prescribed conditions had been satisfied.

There was another major difference between the two plans. Production adjustment involved the use of processing taxes, whereas payments and other expenses of the conservation plan were financed from the Federal Treasury without the levy of such taxes to supply the funds. A third point of difference was that under the commodity-adjustment programs a farmer might have two or more contracts, be participating in two or more commodity programs, and be a member of two or more separate associations, whereas under the conservation program he could work out a single plan for his farm and belong to only one county association. Finally, production adjustment applied only to the commodities designated as basic, whereas the soil-conservation plan, in contrast, applied to all farms and to all commodities.

Although both plans offered farmers cash payments for curtailing their acreage and production of these basic soil-depleting commodities, the conservation plan permitted the participating producer a greater latitude in determining the manner and the crop in which the reduction should be made. This made the plan more flexible in its adaptation to individual farm conditions, but at the same time made it largely incapable of securing predetermined adjustments in the total output of any particular commodity. Hence, there was no co-ordinated use of supplemental features to insure effectiveness under particular conditions as there was in the commodity plans of the preceding period.

The 1936 program was carried through in a year that was marked by the second of two great droughts. This drought affected agriculture profoundly, and it also greatly affected the program. The small crop of corn which at only a shade over 1,500,000,000 bushels was about 1,000,000,000 bushels less than average, and the third successive short crop of wheat raised prices of both. The effects of the drought obscured the losses of foreign markets which in time of normal weather would tend to pile up surpluses in this country, beat down prices, and reduce farm income. The drought hampered the purpose of the 1936 program to stimulate the production of soil-conserving and soil-building crops, because the dry weather made it difficult to establish new seedings of legumes, grass, and pasture. As has been said, the 1936 program had to be worked out and put into effect very rapidly. While carrying on this program, the Agricultural Adjustment Administration went to work on improvements and modifications that it hoped would provide a better program for 1937.

III. THE 1937 CONSERVATION PROGRAM

In an effort to get the program before the farmers soon enough to permit a general understanding of it among them, and consequently a wide participation in it, the 1937 Conservation Program was announced December 4, 1936.

The new conservation program sought to promote a balance between soil-depleting and soil-conserving uses of farm land which would reduce the rate of depletion of soil fertility and the exposure of the soil to destruction by erosion. It was also a balance that would

tend to bring supplies of farm goods into line with the effective demand for them, at prices fair to both producers and consumers.

The new 1937 program, moreover, sought to use more effectively than in 1936 the provisions of the Soil Conservation and Domestic Allotment Act. The 1937 program was built with the same economic mainspring as in 1936. Benefit payments were available to farmers cooperating in the program at rates which would offset for them the cost of soil conservation. These payments were made to farmers who, on their own farms, reduced the proportion of their cropland devoted to production of soil-depleting crops when such reduction was practicable and desirable, and who increased the proportion of their farmland devoted to soil-conserving and soil-building uses and practices.

These payments were open to farmers who applied for them and who were able to show that they had fulfilled the conditions.

CHANGES AND DEVELOPMENTS IN 1937

Changes and developments were made in the 1937 program to give it greater flexibility and increased adaptability to new and changing conditions, national, regional, and on individual farms.

This increased adaptability was obtained in three ways: (1) By permitting greater latitude to individual farmers in choosing among measures they might adopt in cooperating in the program, (2) by widening the provisions of the program to apply to a greater range of conditions, and (3) by changing the emphasis among certain phases of the program.

Emphasis on flexibility.—Events in 1936 had intensified the need for flexibility. The drought had proved even more severe than that of 1934. Spreading over a great part of the agricultural area of the United States, it drastically reduced agricultural production. This drastic reduction was particularly of feed crops, thus throwing the entire livestock industry out of balance. Although relatively higher prices prevailed for some products and made possible a higher gross income for agriculture as a whole than that of 1935, the distribution of this income among regions and among individual farmers was greatly disturbed by the drought, and the effect on income of farmers in drought-affected areas was disastrous.

At the same time that the drought demonstrated the need for flexibility and adaptability in the soil-conservation program, it focused attention on some basic principles of the program. For one thing, individual farmers who were helpless to combat drought concluded that in an emergency of scarcity as well as one of surplus, cooperative effort with the help of governmental agencies had large advantages over the purely individualistic ideas of competitive farming that had been the basis of Government farm policy prior to 1933. Moreover the program helped to meet the drought emergency by encouraging the planting of relatively greater acreages of hay, forage, and emergency feed crops which suffered less from the effects of the drought and therefore yielded more feed for livestock than would have been obtained from the row crops that were displaced under the program.

Emphasis on practices.—Aside from the modifications suggested by the drought of 1936, other changes appeared desirable in the light of the experience of that year. It was evident, for example, that

more opportunity should be provided for participation by producers on farms and in areas where the purposes of the program could not be wholly or mainly accomplished by diverting cropland from the production of soil-depleting crops.

In the Northeastern States, in a part of the North Central Region principally given over to dairying, and in the western range areas, the proportionate acreages of soil-depleting crops are relatively small. Diversion from such crops may not be desirable and soil-conservation in such areas can be best stimulated by promoting other practices that protect and improve the soil, prevent erosion, and maintain established acreages of soil-conserving crops such as pasture, legumes, and hay. Conservation and more efficient utilization of water and of vegetation in the range area constitute effective means of conserving agricultural productivity in the range areas.

New provisions for encouraging the practices mentioned were therefore added to the 1937 program, and emphasis was placed on these practices by enlarging the opportunities for obtaining payments by adopting them.

Conservation on small farms required greater encouragement than had been given to it under the 1936 program, and therefore minimum rates were established for benefit payments on small farms.

Through these and other changes, the Agricultural Adjustment Administration sought to make the 1937 conservation program available to and effective on virtually every farm, regardless of its type or size.

Emphasis on full performance.—It was further sought to promote more definite and positive performance of conservation measures other than diversion of cropland from soil-depleting crops, and to establish means for measuring such performance.

For this reason the requirements of the program as to minimum conservation accomplishment, including the establishment and maintenance of soil-conserving crops and the adoption of soil-building practices, were strengthened. To the same end, provision was made for certain deductions from benefit payments in cases where the minimum conservation objectives had not been attained.

In 1937, plans for administering the program locally through associations and committees of farmers were carried forward. Community as well as county committees of farmers helped to carry on the program. Committeemen were elected from among their own numbers by farmers who became members of the 2,967 county agricultural conservation associations. Membership in such associations included all farmers concerned with farms for which work sheets or other documents in connection with the 1937 program were filed.

Administrative expenses of the county associations and county and local committeemen in carrying out the work placed under their direction in 1937 were met in all regions by deductions on a pro rata basis from the payments to participating farmers in the county concerned.

DIVERSION OF ACREAGE FROM SOIL-DEPLETING CROPS

Almost every farm in the United States is affected to greater or less degree by erosion, depletion of plant nutrients, or overgrazing. This condition is due in large part to the fact that too great a

proportion of cropland is used for the production of crops which while they may offer larger immediate cash returns to farmers than do other crops, at the same time exhaust soil fertility rapidly and expose soil to destruction through erosion by wind or water.

It is often to the short-run interest of the individual farm operator to obtain maximum immediate yields, even though the producing power of his land for the future is reduced or destroyed. Competition in production among farmers drives them to exploit their soil. The economic disparity which puts farmers at a disadvantage in exchanging their products for the products and services of a closely organized industry intensifies the struggle for volume production regardless of permanent cost. The result of such competition, purely individualistic in character, in the exploitation and sale of soil fertility is tremendous economic loss to the Nation. It is doubtful whether any other long-time social loss is so great as the loss caused by destructive exploitation of soil, the result of unlimited competition for short-time individual advantage in the "mining" of the land.

Soil erosion is widespread in the United States. It is estimated that through erosion more than 50,000,000 acres of cropland have been ruined for farming in the past 300 years, and that some 250,000,000 acres more have been damaged.

Not only water erosion but in some vast areas, such as the "Dust Bowl" of the Great Plains, wind erosion does tremendous damage as rich top soil is carried away in duststorms that blacken the sky hundreds and even thousands of miles away. Soil denuded of grass cover is most exposed to erosion by both wind and water.

Production of feed grains—such as corn, oats, barley, and grain sorghum—and the cash crops—such as cotton, tobacco, potatoes, peanuts for nuts, and wheat—hasten soil erosion unless preventive measures are taken. Furthermore, continuous production of these and similar crops reduces soil fertility rapidly, and tends to break down the normal soil structure so that yields are reduced.

Estimates obtained in the Regional Adjustment Project of 1935, in the County Planning Project of 1935-36, and from the Soil Conservation Service, indicate that a reduction of some 25,000,000 acres in the plantings of soil-depleting crops, as compared with the acreages prevailing before 1933, would be desirable in order to check the rapid and wasteful exploitation and destruction of productivity and of the soil itself.

Therefore the 1937 program provided for encouraging on individual farms the shifting of acreage from soil-depleting to soil-conserving crops and uses. The payments to farmers played a vital part in the plan. They were the implement which enabled the farmers to cooperate in a program for the common interests of themselves and the country. The payments made it possible for farmers who formerly had been driven by low prices and small income into feverish competition in the exploitation of soil, to cooperate. They made conservation of soil pay immediate as well as long-time returns. The payments identified the farmer's short-time and long-time interest. They identified individual and public interest, too.

In promoting this shift the Agricultural Adjustment Administration did not overlook the fact that the Nation requires supplies of the soil-depleting crops for consumption and, unless prices are so low as to mean waste of soil fertility, for export. This necessity was

emphasized at the time the program was being formulated, by the drastic reductions in crops that were caused by the drought of 1936. Furthermore, the Soil Conservation and Domestic Allotment Act upon which the program was based prohibited any provision likely to discourage production of food and fibers at a level below normal domestic human consumption during the period 1920-29, with necessary adjustment for changes in population, and other factors.

The diversion from soil-depleting crops that was sought was such diversion as might conserve the soil and at the same time tend to reduce the production of that portion of the soil-depleting crops which could not be sold either in this country or abroad, at "prices fair to both producers and consumers" according to the provisions of the act.

The procedure for carrying out the diversion phases of the 1937 conservation program involved:

1. Classifying crops according to their effect upon cropland, as soil-depleting, soil-conserving, or neutral.
2. Establishing normal scales of planting, or "base acreages," of soil-depleting and soil-conserving crops.
3. Determining the percentage of the soil-depleting base acreage which it would be desirable to divert.
4. Determining the rates and conditions on which payment would be made for such diversion.

In all these steps it was necessary to take into account geographical, climatic, and other differences among regions, and market and economic differences among commodities. Differences among farm organization and management methods in different regions and on individual farms also had to be considered carefully. For example, a crop may be highly soil-depleting when handled as it ordinarily is handled in one region, whereas it may be much less so, or even have a soil-conserving value, when handled as it ordinarily is in another region.

CLASSIFICATION OF CROPS

In general, row crops were considered to be soil-depleting if grain or forage was removed from the land. In addition, small-grain crops harvested for grain or hay fell into this classification, except in the case of small-grain hay harvested in areas where emergency forage was needed.

All legumes and grasses on plowable land as well as forest trees planted on cropland were classified as soil-conserving. In areas where double cropping is a common practice, provision was made for counting the same acreage as both soil-depleting and soil-conserving when a soil-conserving crop followed or was interplanted with a soil-depleting crop. The neutral classification of crop and land use was established in order to account for all the land on each farm. It included such acreages as orchards not falling in either of the other classifications, permanent pasture, idle and fallow land, and waste and wood land.

With minor variations among States and regions, the crop classifications under the 1937 program were as follows:

Soil-depleting crops.—Corn (field, sweet, and pop corn), cotton, tobacco, sugar beets, sugarcane, rice, wheat, oats, barley, rye, flax,

buckwheat, emmer, speltz. (Mixtures of wheat and the grains listed above were classified as soil conserving when used as green-manure or cover crops and as neutral when used as emergency forage crops.)

Grain sorghums, sweet sorghums, Sudan grass, millet. (Except that the sorghums, Sudan grass, and millet were classified as soil-conserving when used as green-manure or cover crops and as neutral when used as emergency forage.)

Field beans and field peas, truck and vegetable crops, hemp, broomcorn, mint, mangels and cowbeets, cultivated sunflowers, potatoes and sweetpotatoes, melons and strawberries, bulbs and flowers, soybeans harvested for seed for crushing.

Soil-conserving crops.—Perennial legumes—alfalfa, kudzu, sericea, and white clover; perennial grasses—bluegrass, Dallis, timothy, reedtop, reed canary grass, orchard grass, Bermuda grass, carpet grass, bromegrass, crested wheat grass, slender wheat grass, western wheat grass, gramma grasses, buffalo grass, bluestem grasses, Keeleria, perennial ryegrass, meadow fescue. Biennial legumes—sweet, red, alsike, and mammoth clovers; annual sweet clover; lespedeza; cro-tolaria; green-manure crops; winter cover crops; forest trees, summer legumes—soybeans, velvet beans, field peas, and cowpeas (in the Southern and Eastern States).

Neutral crops.—Vineyards, tree fruits, small fruits, bush fruits, nut trees, nursery stock, and emergency forage crops.

CROP-ACREAGE BASES

Two general types of base acreages were established as measures of the normal scale of land uses, from which desirable adjustments were made by farmers cooperating in the 1937 program. These two types included soil-depleting crop acreage bases of various kinds, and a soil-conserving base. In addition, a total cropland acreage was calculated.

Soil-depleting crop acreage bases.—The soil-depleting bases included: (1) A general soil-depleting crop acreage base, and (2) special soil-depleting crop acreage bases for cotton, tobacco, peanuts, sugar beets, sugarcane for sugar, and rice.

The general base covered all soil-depleting crops other than those mentioned, and thus permitted producers a wide range of choice among soil-depleting crops to be planted on this base.

Base acreages for soil-depleting crops were, in general, established for individual farms in 1937 in the same manner as in 1936. That is, they consisted of the acreages of soil-depleting crops grown on the farm in 1935, plus acreages diverted from such crops in order to earn payments under the 1936 program. There were provisions for making necessary adjustments in these bases on the recommendations of local and county committeemen in order to bring them in line with the bases for similar farms in the same localities and to meet other requirements. Adjustments were made on the basis of acreages measured in 1936.

Soil-conserving base acreages.—For each participating farm in the diversion group there was established a soil-conserving base acreage as well as the appropriate soil-depleting bases. The purpose of the soil-conserving base acreage was to set up a minimum

standard for the acreage of soil-conserving crops to be grown. This standard was both a means of promoting a definite increase in such crops and of measuring that increase.

For diversion farms in the Northeast, East Central, and Southern Regions the soil-conserving base acreage was the acreage in soil-conserving crops normally grown on the farm, plus the acreage diverted from soil-depleting crops in order to obtain payment in 1937.

For diversion farms in the North Central and Western Regions the soil-conserving base acreage was the total acreage of cropland on the farm, less the sum of all soil-depleting bases established for it.

Total cropland bases were set up for all farms in order to make it possible to calculate the soil-conserving bases for farms in the North Central and Western Regions and to calculate, for nondiversion farms, the soil-building allowance for maximum amount of payments to be earned by practices other than diversion.

Intertilled crop acreage limit.—In order to maintain, in the Corn Belt proper, a suitable balance between acreage devoted to intertilled row crops and acreage devoted to small grains, a corn-acreage limit was established for diversion farms in the Corn Belt, and producers were required to keep their plantings of corn within these limits in order to earn the maximum diversion payments possible for their farms.

Corn-acreage limits for each farm were based on allotments for each county in the Corn Belt, established by the Agricultural Adjustment Administration and apportioned by the county committee among the producers in the county. The aggregate of the county corn-acreage allotments in 1937 was slightly below the total acreage of corn planted in the Corn Belt in 1936.

The corn-acreage limits were established for farms in the Corn Belt only. While soil-conservation objectives call for a reduction in the acreages of row crops, especially corn and cotton, feed production in the Southern and East Central Regions is usually below or only equal to the need for such crops on the farms where they are grown. Therefore, diversion in those areas can better be made from cotton than from corn. In the commercial corn-producing area, on the other hand, corn is the chief row crop and a downward adjustment from the 1928-32 level was desirable in the interest of soil conservation in that area.

The total corn acreage for the country as a whole, contemplated under the 1937 program, was about 94,137,000 acres as compared with 102,769,000 acres as the 1928-32 average. The proposed acreage, at average yields, would have produced about 2,300,000,000 bushels of corn—enough to supply normal feed requirements of the livestock on hand and to leave a reasonably large carry-over into 1938.

DIVERSION AND NONDIVERSION FARMS

In order to give opportunity for participation in the 1937 program by producers on farms and in areas where the general soil-depleting crops—chiefly food and feed crops—occupy a relatively small proportion of the land and where, therefore, diversion from these crops is impractical or undesirable, the program provided for grouping farms into “diversion” and “nondiversion” groups.

In the Northeast and North Central Regions, farms on which the general soil-depleting base acreage was less than 20 acres were grouped as diversion farms, and the others as nondiversion farms.

In the Western Region farms with general soil-depleting base acreages greater than both 20 acres and 20 percent of the total cropland on the farm (excluding orchards and vineyards) were grouped as diversion farms.

In the Southern and East Central Regions crops for which special soil-depleting base acreages were established are more commonly grown, and there is greater need for the general soil-depleting food and feed crops for consumption on the farm. In these regions, therefore, farms were grouped as diversion farms only when their normal production of these crops was greater than the home-consumption needs for them, and when the designation of diversion farm was approved by the county committee. Other farms in these regions were grouped as nondiversion farms.

Only on diversion farms could payments be obtained by diverting acreage from the production of the general soil-depleting crops. Producers on nondiversion farms in all regions were given opportunity to participate in the program by carrying out conservation practices other than diversion from the general soil-depleting base acreage, and their opportunity for this participation was wider than that offered to the producers on diversion farms. Furthermore, they were eligible to obtain payments for diversion of acreage from special crop bases that might be established for their farms.

CROP-ACREAGE GOALS

When soil-depleting crop acreage bases had been calculated as standards to indicate the extent of different past land uses, it was necessary to determine the desirable variations from those past uses, for the country as a whole and on individual farms. It was also necessary to set up means of measuring those variations.

Questions arose at once in setting up these measurements of variation. "What acreage can and should be retained in the production of soil-depleting crops? What acreage should be diverted from such production and put to soil-conserving crops and uses? What should the plantings be in the interest of protecting and preserving the productivity of the Nation's cropland?"

The next question was: "How many acres of soil-depleting crops should be maintained in order to supply the Nation's consumption need for these crops at fair prices, and such export outlets as are remunerative to farmers, and to maintain an adequate reserve as protection against crop shortages or failures?"

In order to adapt the program to solving these problems, soil-depleting crop-acreage goals were worked out for the Nation as a whole, and for individual farms in the case of some crops. These goals were the acreages that would yield the adequate supplies of soil-depleting crops that were desirable.

Rates and conditions of payment under the program were designed to give no inducement for reducing the production of needed soil-depleting crops below the acreage goals set up for those crops.

Equally essential to the program were standards for measuring definite increases, encouraged by the program, in soil-conserving

activities and accomplishments. Such standards were provided in the soil-conserving acreage goals set up for individual farms. Methods of payment required individual producers to accomplish these minimum soil-conserving goals in order to obtain the full payments possible for their farms.

In order to work out the soil-depleting acreage goals it was necessary to estimate how many farmers would take part in the diversion of acreage, and what part of the total production they would represent. The greater the number of farmers taking part, of course, the smaller diversion would be necessary in order to effect the desired adjustment in the national acreage. Differences in the economic and market situations of different crops had to be considered in working out these goals.

When the 1937 program was announced it was estimated that farmers operating 85 percent of the total cropland of the country would take part and that they might be expected to accomplish 85 percent of the total diversion and soil-conservation measures possible on this percentage of the cropland. This resulted in the estimate of 72.5 percent of the possible performance for the entire country.

This estimate was used in calculating the percentage of diversion from the soil-depleting acreage bases which would result in the planting of the soil-depleting crop acreage goals. It was also used in working out the budget allocations for the different phases of the program.

Soil-depleting crop acreage goals for the country as a whole included the acreage of such crops which it was expected noncooperators as well as cooperators would plant. For each crop for which a special acreage base had been established, and for the general soil-depleting crop list as well, a national acreage goal was set up and the percentage of the base acreages which would need to be diverted from the farms of cooperating producers, in order to hold the plantings within the goals, was established.

The diversion percentages differed for the various crops in accordance with the difference in their marketing situations, and in their soil-depleting effects. The program provided for payment for diversion of only the established percentage of the individual producer's base.

For the general soil-depleting crop acreage base this percentage was 15 percent; for the cotton base, 35 percent; for the peanut base, 15 percent; for the fire-cured, dark air-cured, and Georgia-Florida type 62 tobacco bases, 30 percent; for the Connecticut Valley types 51 and 52 tobacco bases, 15 percent; for the flue-cured, Burley, Maryland, and other types of tobacco bases, 25 percent.

Soil-depleting crop acreage.—Among the soil-depleting crops, special bases or limits were established for corn in the commercial area, cotton, tobacco, and peanuts grown for nuts. All other crops, including wheat, were grouped together in a general soil-depleting classification and an overall base was established for this group.

The average annual acreage of corn in the United States in the period 1928-32 was about 102,800,000 acres. The acreage harvested in 1936 was 93,020,000 acres. The corn acreage goal for 1937 under the conservation program was set at about 94,137,000 acres.

Because of the drought experience of 1936 and the relatively high price of corn during the marketing of the small 1936 crop, which

totaled only 1,529,327,000 bushels as compared with a 5-year average of more than 2,500,000,000 bushels, noncooperating farmers in 1937 planted increased acreages of corn and the total planted acreage for the country as a whole that year was 96,483,000 acres. The harvested acreage in 1937 was 93,810,000 acres, and the crop amounted to 2,664,995,000 bushels whereas it had been estimated, in calculating the corn acreage limits for the Corn Belt, that a crop of 2,300,000,000 bushels would meet feed requirements, and leave a substantial carry-over for 1938.

For cotton, a goal of about 32,750,000 acres was set up. This was equivalent to a reduction of about 27.5 percent from the base cotton acreages of all States except New Mexico, Arizona, and California, where it was expected that the acreages would be about the same as in 1936. The crop expected from the acreage goal was about 13,500,000 bales, which would have added perhaps 500,000 bales to the world carry-over of American cotton.

Both goal and expected production were exceeded in 1937. A total of 34,471,000 acres was in cultivation on July 1, 1937, and the yield per acre, which averaged 266.9 pounds of lint cotton, was the highest on record. The result was a cotton crop of 18,946,000 bales. This record production occurred notwithstanding the fact that about 8,900,000 acres were diverted from the special base established for cotton under the provisions of the 1937 program.

Acreage goals for different types of tobacco took into account the variations in the supply and demand situations of those types. Goals for flue-cured, dark air-cured, and cigar types were about equal to or slightly higher than the acreages of these types which had prevailed in 1936. It was proposed to encourage an increase of about 20 to 30 percent in the Burley acreage, which had been abnormally low in 1936. Goals for fire-cured tobacco were about 20 percent lower than the 1936 acreage of this type and some decrease in the acreage of Maryland tobacco was also held desirable.

Acreage goals for all types of tobacco totaled 1,600,000 acres as compared with an annual average of 1,874,000 acres in the period 1928-32 and 1,472,000 acres in 1936. Diversion from tobacco acreage for payment under the 1937 program provisions totaled about 292,000 acres.

The acreage goal for peanuts was set at 1,400,000 acres, about the same as the 1936 plantings, and about 54,000 acres more than the 1928-32 average. Favorable price conditions for this crop were anticipated. Diversion for payment totaled about 110,000 acres.

An approximate acreage goal for general crops of about 141,531,000 acres was used for 1937. Actually, the acreage seeded to these crops over-ran the goal by about 25,000,000 acres, with almost all of the over-run accounted for by wheat.

The desirable wheat acreages for the areas producing different types of wheat used in arriving at the general crops goal aggregated about 56,000,000 harvested acres for this crop. With yields at the 1928-32 level the crop from this acreage would have totaled about 800,000,000 bushels. At the average yield for the period 1928-35 the crop would have been about 700,000,000 bushels. Added to the carry-over from 1936, such a wheat crop in 1937 would have met domestic requirements of \$25,000,000 to 650,000,000 bushels and left 100,000,000 to 200,000,000 bushels for carry-over or export. Total acreage of all

wheat seeded for harvest in 1937 was nearly 81,000,000 acres, with a harvested acreage of 64,460,000 acres and production of 874,000,000 bushels.

Table 1 gives the goals and the actual acreage seeded, by crops, for 25 principal soil-depleting crops, on the basis of data available at the time this report was prepared.

TABLE 1. *Approximate acreage goals and actual acreage seeded for 1937 for 25 principal soil-depleting crops,¹ by crops*

[Figures in thousands of acres, i. e.. 000 omitted]

Crop	1937 acreage goal	Actual acreage seeded	Crop	1937 acreage goal	Actual acreage seeded
Cotton.....	32,761	34,471	21 others.....	141,531	³ 166,062
Corn.....	94,137	96,483	Total.....	271,429	³ 300,401
Tobacco.....	1,600	² 1,732			
Peanuts.....	1,400	² 1,653			

¹ Cotton, corn, wheat, oats, barley, grain sorghums, tobacco, potatoes, peanuts for nuts, rye, buckwheat, flaxseed, rice, beans, soybeans and cowpeas grown alone, sweetpotatoes, sorgo and sugarcane for sirup, velvetbeans grown alone, sugar beets, broomcorn, hops, fruits, and commercial vegetables.

² Harvested acreage.

³ Excludes fruits and commercial vegetables, figures for which are not available on this basis.

Soil-conserving acreage goals.—Most important among the active steps which can be taken in the United States as a whole to protect the soil from erosion by wind and water and maintain its fertility is the establishment and maintenance of the crops listed under the 1937 conservation program as “Soil conserving.” These crops include grasses, legumes, cover crops, green-manure crops, and forest trees. Because of their close-growing habit they hold the soil and prevent it from being washed or blown away. If they are permitted to remain on the land or, in some cases, are plowed under, they add to the humus and plant nutrients in the topsoil.

To establish the desired balance between soil-depleting and soil-conserving crop acreages on the farm land of the country it is necessary not only to reduce the acreage of soil-depleting crops, but to make definite increases in the acreage devoted to soil-conserving crops and practices.

Standards for measuring this increase were provided for individual farms under the 1937 conservation program by establishing for each farm in most areas a soil-conserving acreage goal. These goals were fixed by local and county committeemen after consideration of such factors as the size of the farm, its topography, the lay of the land, and the extent of the erosion that had taken place.

Payments for achieving these goals on individual farms were provided, and also deductions from payments for failure to achieve the soil-conserving goals.

A national soil-conserving acreage about equal to the acreage in soil-conserving crops in 1929 was used as a starting point in working out the soil-conserving acreage goal. The 1929 acreage was increased by about the number of acres of increase suggested in the 1935–36 county planning project, with due regard to the diversion from soil-depleting crops necessary in order to achieve the soil-conserving goal.

The soil-conserving acreage goal for the country as a whole, as figured by this method, was 92,500,000 acres, an increase of approxi-

mately 18,000,000 acres over the 1929 level. It was anticipated that some of this acreage would have to consist of emergency hay or forage crops in the drought areas where a large proportion even of the drought-resistant, soil-conserving crops had been killed out by the unusually severe drought and where it was impossible to obtain, in 1937, an increase over the normal level.

Since a diversion of some 24,000,000 acres from soil-depleting crop acreage bases was contemplated under the soil-depleting acreage goals, there remained several million acres on which soil-protecting and soil-building practices other than the planting of soil-conserving crops would be carried on if maximum payments were obtained.

Table 2 gives, by regions, the harvested acreages of soil-conserving crops set up as a goal for 1937, together with the harvested acreages of such crops in 1929 and in 1936.

TABLE 2.—*Soil-conserving crop acreage goals for 1937, and harvested acreage of these crops in 1929 and 1936, by regions (including rotation pasture)*

[Figures in thousands of acres, i. e., 000 omitted]

Region	Harvested 1929	Harvested 1936	1937 goal
Northeast.....	10, 959	10, 925	11, 000
East Central.....	9, 369	9, 925	11, 000
North Central.....	37, 132	32, 775	44, 500
Southern.....	4, 790	8, 375	11, 000
Western.....	11, 957	10, 625	15, 000
United States.....	74, 207	72, 625	92, 500

PAYMENTS TO PRODUCERS

Three types of payments to producers were provided for under the 1937 program. "Soil-conserving" or "diversion" payments were made for changing the use of the land from soil-depleting to soil-conserving crops, up to the maximum percentage of diversion specified for the different crops.

"Soil-building" or "practice" payments were made for planting soil-conserving crops on cropland in 1937 or for carrying out soil-building practices on cropland, range, or pasture land. The maximum amount of the soil-building payment which might be earned on a given farm was called the "soil-building allowance" for the farm.

The third type of payment was based on the percentage of the normal national production of sugar and rice needed for domestic consumption. To obtain these payments producers of sugar or rice met certain specified conditions with respect to their acreages of soil-conserving crops or their rotation practices.

Diversion payments.—"Diversion payments" for diverting land from the production of soil-depleting crops for which special bases had been established were made on the basis of the normal yield from the diverted land, of the commodity from the production of which it was diverted.

Rates of payment for these special-base crop acreage diversions were as follows:

Cotton, 5.5 cents a pound.

Flue-cured, Burley, and Maryland tobacco, 5.5 cents a pound.

Fire-cured, and dark air-cured tobacco, 3.85 cents a pound.
Georgia-Florida type 62 tobacco, 6.6 cents a pound.
Connecticut Valley types 51 and 52 tobacco, 4.4 cents a pound.
Other kinds of tobacco, 3.3 cents a pound.
Peanuts, 1.375 cents a pound.

Payments for diversion from the general soil-depleting crop acreage base of the farm were at the rate of \$6.60 an acre, adjusted according to the relative productivity of the land so diverted, as compared with the average productivity of all the land in farms in the United States.

Payments for increasing soil-conserving crop acreages.—It has been pointed out that in addition to the payments for diversion, payments were made for increases in the acreage of soil-conserving crops on the farm. Rates and conditions of these payments differed according to the variations in the farm-management practices of various areas.

On all farms in the North Central Region other than dry-land farms in South Dakota and Nebraska, there was a payment of \$3.30 an acre for increasing the acreage of soil-conserving crops above the soil-conserving base. This rate of payment was adjusted among farms in accordance with variations from the average productivity of all farms in the United States. The number of acres on which this \$3.30 payment could be earned could not exceed the number of acres diverted from the general soil-depleting base for the farm, with a limit of 15 percent of that base.

For farms in the Northeast, East Central, and Southern Regions, the payment of \$6.60 an acre for diversion from the general soil-depleting base and the payment of \$3.30 an acre for increasing the soil-conserving crop acreage were made as one payment at the rate of \$9.90 for each acre diverted from the general soil-depleting base, with deductions at the rate of \$3.30 an acre for failure to have the minimum acreage of soil-conserving crops on the farm.

Sugarcane for sugar and rice.—Payment was made with respect to any farm on which sugarcane for sugar was grown in 1937 on the acreage allotment for the farm at the rate of 13.75 cents per 100 pounds, raw value, of sugar commercially recoverable from the normal yield per acre provided there was a soil-conserving acreage on the farm equal to 30 percent of the sugarcane base. If the soil-conserving acreage for the farm was less than 30 percent of the sugarcane base, certain deductions were provided for.

Payment was made to a rice producer in 1937 at the rate of 22 cents per 100 pounds of his domestic consumption quota, provided that he planted between 85 to 100 percent of his rice base acreage and provided further that he had an acreage of soil-conserving crops on the rice land equal to 25 percent of his rice base acreage. If a producer planted less than 85 percent or more than 100 percent of his rice base acreage or if he did not have the 25 percent soil-conserving acreage, certain deductions were provided for.

Deductions from payments.—Deductions from payments were provided for in cases where producers failed to fulfill certain requirements toward accomplishing the purposes of the act.

If 1937 acreages of cotton, tobacco, peanuts, or general soil-depleting crops on any farm exceeded the bases established for these crops,

deductions were provided for at the per-acre rate of the corresponding diversion payments for the farm.

On the farms on which a corn acreage limit was established, a deduction at the per-acre rate of the general diversion payment for the farm was made for each acre by which the corn acreage exceeded the limit. At the same time, the general diversion payment rate on farms on which corn acreage limits were established and observed was increased 5 percent above the rate for farms on which such limits were not established.

On farms on which the 1937 acreage of soil-conserving crops was less than the minimum established for the farm, a \$3.30 deduction for each acre of the deficiency was provided for.

Adjustments on account of participation.—Under the provisions of the 1937 program as announced December 4, 1936, rates of payments to producers as listed in that announcement were subject to adjustment according to the extent of participation by producers. Budget allocations for payments to producers, from funds expected to be appropriated by Congress for carrying out the Soil Conservation and Domestic Allotment Act, totalled \$470,000,000.

Rates of payments were so calculated as to apply the \$470,000,000 on this basis, but provision was made for adjusting the rates by as much as 10 percent, either upward or downward, if actual participation differed from the estimated participation. Such adjustment by regions was authorized.

Because of the factors that have already been noted, participation was less extensive than had been anticipated, and the rates were therefore adjusted upward 10 percent in all regions. The rates which have been given above include this 10 percent adjustment from those announced December 4, 1936.

Payments for soil-building practices.—In order to make the conservation program applicable to and effective on farms where conditions were such that neither diverting acreage from soil-depleting crops nor increasing acreage of soil-conserving crops would accomplish the maximum amount of conservation, class II or "soil-building" payments were provided in 1937 for adopting and carrying out soil-building practices other than diversion. The same principle had been followed in 1936 but it was broadened and given more emphasis in 1937.

The wider range of practices by which payments might be obtained permitted the participation of a greater number of small farmers, dairy farmers, fruit and vegetable producers, and western range operators, than had taken part in the 1936 program.

In 1937 approximately one-third of the amount of money budgeted for the payments to producers was allocated for soil-building payments instead of the one-fourth which had been so allocated in 1936. This made possible higher rates of payment for the adoption of these practices, and additional encouragement for the adoption of these practices.

Furthermore, the approval of a wide variety of soil-building practices increased the regional, State, and local adaptability of the program. Soil-building practices were approved as means of obtaining benefit payments only after they had been recommended by State, and in some cases county, committees familiar with the con-

ditions in their own areas and with the effectiveness of the practices which they recommended for adoption.

The procedure of county or State recommendations of soil-building practices and the rates of payment therefore resulted in limiting the areas and localities within which certain practices were approved. Such area limitations were based upon the effectiveness and usefulness of the practice concerned, as demonstrated by farm-management experience of agricultural specialists and of successful farmers.

No fewer than 78 such practices were approved as means of earning soil-building payments. Exhibit 1 in appendix A gives a complete list of these practices, the rates of payment made for adopting them, and the area within which their use was approved for benefit payment.

The practices were divided roughly into four main groups. The first and largest group was for application on general farms and included 45 different practices. These practices included the seeding or establishment of legumes and grasses alone or in mixtures, and the establishment of cover and green-manure crops; establishment, protection, and improvement of forest trees and windbreaks. They also included application of limestone or fertilizing material to soil-conserving crops or pasture; mechanical measures for preventing or controlling erosion; contour plowing and listing and strip cropping.

Another group of 11 practices was designed for orchard and vineyard land. This group included application of mulching material in orchards; plowing or disking in winter cover crops and establishing winter cover and green-manure crops of various types; applying fertilizing materials to soil-conserving crops in vineyards and orchards. Six similar practices were approved for use on commercial vegetable land.

Sixteen different practices were approved for range land. They included natural reseeding of range land, planting and developing of forest trees; contour furrowing, building of earthen dams and reservoirs, developing springs, seeps, and wells, and other means of conserving and efficiently utilizing the water supply; promoting distribution of grazing; and elimination of rodents and undesirable plants.

RATES OF PAYMENT

Rates of payment for adopting soil-building practices reflected in part the difficulty or expense of carrying out the different practices, and in part their relative value as a soil-building activity.

Rates were stated in appropriate units. Establishment of soil-conserving and other crops, for example, rendered the participating producer eligible for payments of a stated amount per acre. Construction of dams and reservoirs earned payments at so much for each cubic yard of material moved in the process. Application of limestone and fertilizing material was paid for at the rate of so much per ton of material applied to a given area. Terrace-building earned payments at the rate of 40 cents per 100 linear feet, fencing at so much per rod, and well-digging at so much per foot.

Soil-building allowance.—For each farm there was calculated the maximum amount in benefit payments which might be earned by the adoption of soil-building practices, regardless of what practices were

carried out. This maximum amount was the "soil-building allowance" for the farm.

The formula for calculating soil-building allowances for different farms was varied according to several different factors. It took into account the type-of-farming area in which the farm was located and, in consequence, the relative effectiveness of various kinds of soil-building practices. It allowed for differences in the farming methods practiced on the farm, and in the agricultural enterprises carried on there. It contained different provisions for diversion farms and for nondiversion farms.

Included in the soil-building allowance, for any farm, was 110 per cent of the sum of such of the following items as were applicable:

1. \$1 for each acre of commercial orchard, vineyard, and bush fruit on the farm on January 1, 1937.
2. \$1 for each acre of cropland on which one crop of commercial vegetables was grown in 1936 and \$2 for each acre of cropland on which two or more crops of commercial vegetables were grown in 1936.
3. Either: (a) 50 cents for each animal unit, in excess of five, which the noncrop plowable pasture on the farm would carry during the normal pasture season; or (b) 30 cents for each acre of fenced noncrop open pasture land with a carrying capacity during the normal pasture season of at least one animal unit for each 5 acres. (This rate varied among States and other areas according to their average productivity as compared with the average productivity for all farms in the United States, and applied only to the acreage in excess of one-half of the cropland on the farm.)
4. \$1.50 for each animal unit in the average annual carrying capacity of range land on the farm or ranch (to be earned only by carrying out approved range practices).

In addition to the sum of the above items, which could be counted in the soil-building allowance for either a diversion or a nondiversion farm, the soil-building allowance for a nondiversion farm included 80 cents for each acre of cropland, adjusted among States or other areas according to the variation in the productivity of the land as compared with the average productivity for all farms in the United States.

In calculating the soil-building allowance for diversion farms there were added to the applicable numbered items given above, additional items as follows:

1. In the Northeast, East Central, and Southern Regions, \$1 for each acre of soil-conserving crops grown on cropland in 1937, not in excess of the sum of the normal acreage of such crops and the maximum acreage which could be diverted, for payment, from the soil-depleting bases.
2. In the North Central Region (except for drylands farms in Nebraska and South Dakota), \$1 for each acre in the soil-conserving base plus \$1 for each acre diverted from soil-depleting crops in 1937, less \$1 for each acre of idle cropland on the farm in 1937.
3. For all farms in the Western Region and for drylands farms in Nebraska and South Dakota, \$1 for each acre of soil-conserving crops grown on cropland in 1937, not in excess of the

soil-conserving base, plus \$4 for each acre diverted, for payment, from soil-depleting bases (the \$4 item to be varied according to the productivity of the farms as compared to the average for the United States).¹

SUMMARY OF RESULTS

The 1937 program described in the foregoing pages was carried out in all 48 States of the continental United States and in Alaska, Hawaii and Puerto Rico, as planned.

The number of owner-operators, tenants, and landlords who took part in the program totaled 3,743,904. This figure is based on the total number who applied for and earned payments for complying with the program. The number of participants was largest in the States of the Southern Region, where 1,436,800 received soil conservation payments. In the States of the North Central Region, 972,147 participants in the program received such payments. Participants in the States of the East Central totaled 663,415; in States of the Western Region, 456,468; in States of the Northeast Region, 156,643; in the Insular Region, 58,431.

Program covers 65 percent of cropland in farms.—The total acreage of cropland in 3,020,037 farms covered by the program was 282,629,000 acres, or nearly 65 percent of the total cropland acreage in the continental United States. The percentage varied widely for different States. In Wisconsin 86.2 percent of the State's cropland was in farms participating in the program; in Montana, 85.2; in North Dakota, 84.8; and in South Dakota, 83.9 percent. It was as low as 28 percent in Rhode Island, 39.8 percent in Massachusetts, and 39.9 percent in Illinois.

In the 10 States of the North Central Region, 1,192,596 farms were included in the program, and the cropland acreage in these farms totaled 107,798,706 acres. The cropland acreage included in the program was 66,908,000 acres in the Southern Region; 70,654,014 acres in the Western Region; 26,810,318 acres in the East Central Region; and 10,458,303 acres in the Northeast Region.

Payments earned averaged \$81.93.—The total of payments (including payments for county association expenses deducted in whole or in part from farm payments) earned for diversion from soil-depleting crops and for soil-improving practices under the 1937 program is tentatively estimated at \$306,744,000, not all of which had been disbursed at the close of the fiscal year. Among the different regions, estimated payments are distributed as follows: Southern Region, \$100,476,000; North Central Region, \$97,967,000; Western Region, \$60,475,000; East Central Region, \$35,143,000; and the Northeast Region, \$10,420,000.

For the United States and insular areas, the payment earned averaged \$81.93 per farmer, the average varying among the States from \$35.45 for New Hampshire to \$348.40 for Arizona. The average for the States in the Western Region was \$132.48; in the North Central Region, \$100.77; in the Southern Region, \$69.68; in the Northeast Region, \$66.52; and in the East Central Region, \$42.50. The average for the Insular Region was \$38.72.

¹ Preliminary statistics on the acreages on which the various soil-building practices were carried out in 1937 are shown in appendix C.

Programs contribute to farm income.—Farm cash income in the 1937 calendar year totaled \$8,600,000,000, a sum which compares with farm cash income of \$7,944,000,000 in 1936, and is nearly double the figure for 1932 in which year farm cash income totaled \$4,328,000,000. The 1937 income was the highest for any year since 1929.

Soil conservation payments disbursed in 1937 contributed approximately \$367,000,000, or more than 4 percent of the total farm cash income for that year. A large portion of the payments disbursed during 1937 was earned by compliance with the program of 1936, and a large portion of payments earned in 1937 was disbursed in 1938 and consequently was not included in 1937 cash income.

However, these payments represent only direct contributions to the 1937 cash income. Besides these payments, the programs had indirect effects upon the farmer's price and income, such as those exerted by restraining the acreage of soil-depleting cash crops; removing price-depressing surpluses from the commercial channels of trade; marketing agreements; and price-supporting loans. The indirect effects of these measures on farm prices and income cannot be accurately gauged.

Participating farms reduce soil-depleting acreage 13 percent.—Of the estimated \$304,481,000 in payments to farmers in the continental United States under the 1937 program, about 70 percent was earned by diverting from soil-depleting crops. Roughly 30 percent was earned by effecting soil-improving practices.

Farmers participating in the program diverted 26,362,538 acres from soil-depleting crops. This is almost 13 percent of the normal or base acreage of soil-depleting crops in the participating farms. The total acreage diverted was largest in the States of the Southern Region, which shifted 9,643,533 acres. The diverted acreage in the North Central States was 8,287,183 acres; in the Western States, 6,677,172 acres; in the East Central States, 1,700,542; and in the Northeast States, 54,108.

The acreage diverted from general soil-depleting crops totaled 18,147,000 acres; from cotton, 7,845,493 acres; from tobacco, 278,018 acres; and from peanuts, 91,818 acres.

Estimated payments for diversion (including association expenses) from general soil-depleting crops totaled \$128,766,000; for diversion from cotton, \$68,672,000; for diversion from tobacco, \$11,238,000; and for diversion from peanuts, \$731,000. Payments in connection with rice were \$2,771,000; and in connection with sugarcane and sugar beets, \$3,734,000. Class I payments totaled \$215,912,000.

41,000,000 acres seeded to soil-improving crops.—Farmers participating in the program earned approximately \$88,210,000 in complying with the soil-building practice provisions of the 1937 program. Such practices included new seedings of legumes and grasses, planting green-manure and cover crops, applying fertilizer and lime, forest and orchard improvement, and mechanical erosion-control practices.

New seedings of soil-conserving crops and cover crops were established on 41,359,365 acres. Approximately 29,000,000 acres were seeded to legumes and perennial grasses, and 12,287,000 acres were seeded to green-manure and cover crops.

New seedings were largest in the North Central Region, where they totaled 15,906,698 acres. In the Southern Region, new seedings totaled 3,367,120 acres, and in addition more than 8,000,000 acres were planted to green-manure and cover crops. In the Western Region there were 3,151,358 acres of new seedings and 1,760,574 acres of green-manure and cover crops. In the East Central Region new seedings comprised 5,472,267 acres, and green-manure and cover crops 2,010,944 acres. In the Northeast Region farmers seeded 1,174,427 acres of alfalfa and other legumes and 366,646 acres of green-manure and cover crops.

More than 5,000,000 tons of lime and fertilizer applied.—In complying for soil payments farmers applied about 4,990,000 tons of lime to their soil for the purpose of encouraging the growth of soil-conserving crops. Approximately 363,000 tons of phosphate fertilizer (16 percent P_2O_5 equivalent) and about 33,000 tons of other fertilizer materials were applied to soil-conserving crops and pastures.

Protected fallowing to conserve moisture is a practice that was applied to 9,545,658 acres, of which more than two-thirds was in the Western Region. Erosion-control practices such as strip cropping and contour or basin listing, were carried out on 6,822,550 acres.

More than 346,600 acres were restored to native covering and 101,128 acres of pasture were reseeded in complying with the program. About 294,000,000 feet of terraces were built.

SOIL CONSERVATION ONLY ONE PHASE OF BROAD PROGRAM

Diversion from soil-depleting crops and other soil-conserving practices constituted only one phase of a broad program which is pointed toward the objective of maintaining farm income at adequate levels, of conserving the resources of fertility in the soil of American farms, and of stabilizing supplies from farm production at adequate levels.

This broad program also includes measures designed to keep surpluses from depressing prices, to expand the market for farm production at home and abroad, to provide for more orderly marketing of farm products, and to provide food and clothing for that portion of the population which lacks buying power. These phases of the program are discussed elsewhere in this report.

IV. THE 1937 RANGE CONSERVATION PROGRAM

The Agricultural Adjustment Administration sought to extend the principles of conservation to the largest practicable proportion of all kinds of farm land, including Western range lands as well as cropland. Hence the 1937 programs included a range-conservation program. This represented modification and improvement of the 1936 range program, and made the program applicable to a greater area of privately owned range land. The 1937 program and the modifications from 1936 which it embodied were formulated after conferences with stockmen in all States where there are open ranges.

In formulating the program, special attention was given to providing for encouragement of range-conserving practices which had been tested and found adaptable and effective in the areas for which they were approved.

Range operators were encouraged to adopt range-conserving practices through benefit payments conditioned on the performance of these practices. In the range-land areas, diversion of acreage from soil-depleting crops was not practical as a principal soil-conserving measure because the proportion of cropland on ranches in range territory is relatively small. Hence the opportunity was presented to earn benefit payments on the basis of conservation of the range but without regard to acreage bases or the soil-conserving use of cropland.

Total benefit payments on any ranching unit were limited to the amount of the range-building allowance. This limit or allowance was calculated for all areas on the basis of the appraised grazing capacity of the range land on the ranch. It amounted to \$1.50 for each animal unit in that grazing capacity.

Practices which could be followed in order to earn benefit payments were those which had demonstrated that they would tend to check depletion of forage and erosion of land. They included measures for the conservation and more efficient utilization of both vegetation and water. Payments were made, within the limits of the range-building allowance, at rates specified for the different practices.

Range-conservation provisions were made for all States in the Western Region, for Texas and Oklahoma in the Southern Region, and for South Dakota and Nebraska in the North Central Region. Practices approved for payment were not the same in all States. Any given practice was approved only in those States where it would be effective. Rates of payments for the same practice also varied among States. These variations were designed to make the program applicable to widely different conditions in different areas.

WESTERN RANGE PRACTICES

In the Western Region a list of 10 approved practices, with the rate of payment to be earned through each, was announced. The practices and rates which applied in some or all of the 13 States in the Western Region were as follows:

1. Contour furrowing, 50 cents an acre.
2. Development of spring and seeps, \$50 for each spring or seep.
3. Construction of earthen reservoirs, 15 cents per cubic yard of excavation.
4. Digging or drilling wells, \$1 per foot of depth.
5. Water spreading with permanent ditching, 10 cents per linear foot of such ditching.
6. Constructing fences to bring about better distribution of grazing, 30 cents per rod of fence.
7. Eliminating range-destroying rodents, different rates in different States and for different rodents.
8. Reseeding depleted range land with good seed of adapted varieties of perennial grasses, 20 cents per pound of seed sown.
9. Establishing fire guards, 3 cents per 100 linear feet.
10. Natural reseeding by deferred grazing, 35 cents per animal unit withheld from the range, for each month during the period from the start of forage growth to seed maturity. This practice involved pre-

vention of grazing on not more than 25 percent of the range land on the ranch. To fulfill the purposes of the practice it was necessary to reduce the number of animals grazed on the ranch. Numerous special provisions governed the application of the practice.

PRACTICES IN OTHER AREAS

In Texas and Oklahoma 10 practices were approved. This list included reseedling by deferred grazing (under different provisions and at a different rate of payment than in the Western Region), contour furrowing (at the rate of 70 cents an acre), constructing earthen dams and reservoirs, building range fences, establishing fire guards, and eradicating rodents. All but the first two of these practices were in the list for the Western Region at the same rates.

In addition, the Texas-Oklahoma program included:

1. Ridging or terracing range land, 10 cents per 100 linear feet of terrace.
2. Constructing spreader dams, 15 cents per cubic yard of excavation.
3. Constructing spreader terraces, 40 cents per 100 linear feet.
4. Rescuing range land from infestation by harmful vegetation, at rates determined by the kind and degree of infestation.

In Nebraska and South Dakota, the practice of deferred grazing as a means of permitting natural reseedling of depleted range land was important. Payment in those States for this practice was fixed at 60 percent of the total range-building allowance for the ranch. Limiting grazing was a similar practice approved in these States, and the payment for limited grazing was an amount equal to 50 percent of the total range-building allowance.

Contour furrowing and construction of earthen reservoirs were approved at the same rates of payment that were in effect in the other regions. Tree planting and the protection and maintenance of a stand of trees were approved in Nebraska and South Dakota, the payment rate for planting being \$10 per acre and that for maintenance, \$4 per acre.

RESULTS OF 1937 RANGE PROGRAM

Range conservation and improvement practices encouraged under the 1937 program were carried out on 37,455 ranches in 17 States. These ranches comprised a total acreage of more than 154,500,000 acres, with a total grazing capacity of approximately 6,584,000 animal units.

The States in which the range program applied were: South Dakota and Nebraska in the North Central Region; Oklahoma and Texas in the Southern Region; and the following States in the Western Region: Arizona, California, Colorado, Idaho, Kansas, Nevada, New Mexico, North Dakota, Oregon, Washington, Montana, Utah, and Wyoming.

Natural and artificial reseedling was carried out on more than 15,000,000 acres of land. This included 12,841,000 acres reseeded by

deferred grazing; 2,365,000 acres reseeded by limited grazing; and 80,860 acres reseeded to adapted varieties of range grasses, legumes, and forage shrubs. More than 1,567,000 rods of fences were constructed to control grazing. Practices for rodent control were carried out on 3,582,638 acres. These practices were pointed directly to the maintenance or increase in carrying capacity of range land.

To increase water supplies for livestock on range land, earthen dams, tanks, pits, and reservoirs with a total capacity of more than 31,000,000 cubic yards were constructed. This practice was carried on in all the range States. In addition, ranchers in States in the Western Region dug 1,311 wells and constructed 11,640 seeps and springs to develop natural watering places for livestock.

Measures to control erosion and water run-off included the construction of 3,252,741 lineal feet of spreader dams and terraces; the contouring of 60,068 acres of land; and, in Oklahoma and Texas, 19,957,000 feet of contour ridging of range land.

More than 13,000,000 lineal feet of fireguards were established in range States of the Southern and Western Regions. These guards were constructed by exposing soil in strips at least 10 feet wide.

In Texas and Oklahoma, where payments were available for the elimination of destructive plants from range land, the program resulted in the eradication of prickly pears and cactus on 1,053,600 acres of range land; eradication of mesquite on 110,800 acres; and eradication of cedars and lechuiguilla on 513,000 acres.

Miscellaneous practices for which payments were made included the planting of more than 1,400 acres of forest trees, construction of tanks and troughs, and elimination of sage brush.

V. SUGAR PROGRAM UNDER THE SUGAR ACT OF 1937

The Sugar Act of 1937, approved on September 1, 1937, is in many respects similar to the former Jones-Costigan Act. Continuance of the quota system established under the Jones-Costigan Act after invalidation of the processing taxes and production-adjustment contracts had resulted in a redistribution of the aggregate income of the sugar industry in a manner detrimental to the interests of growers and agricultural laborers. The Sugar Act of 1937 was intended primarily to remedy this situation.

SUMMARY OF SUGAR ACT OF 1937

In outline the act provides that the Secretary of Agriculture shall estimate the annual consumption requirements of the continental United States and allot the quantity so estimated, as quotas, in accordance with a formula set forth in the act, among the areas supplying the continental needs.

If necessary to insure an adequate and orderly flow of sugar in the channels of interstate and foreign commerce, to prevent disorderly marketing, or to afford all interested persons an equitable opportunity to market sugar, any quota may be allotted to persons who market or import sugar.

The act also provides for the imposition of an excise tax at the rate of 50 cents per 100 pounds of 96° raw sugar with an import compensating tax of like amount. It provides for conditional payments to

producers at a basic rate of 60 cents per 100 pounds of recoverable sugar, raw value, with certain downward graduations for large producers.

The conditions required to qualify a producer for payments generally involve the elimination of child labor (other than that of the immediate members of the producer's family), the payment of fair and reasonable wages, the preservation and maintenance of the fertility of the soil, marketing of no more than the farm's proportionate share of the quota of the area in which it is located, and, if the producer is also a processor, the payment of fair and reasonable prices for the sugarcane or sugar beets purchased from other producers. In addition, there are provisions permitting abandonment and deficiency payments in the event of certain natural calamities.

QUOTA ADMINISTRATION

Early in 1937 quotas for the calendar year were established under Public Resolution No. 109. On September 2, 1937, immediately following the approval of the Sugar Act of 1937, quotas were issued in accordance with its provisions. On December 20, 1937, the initial estimate of continental sugar requirements and allocation of quotas for the calendar year 1938 were announced. The 1938 quotas as established by the more recent regulations, together with the final quotas for 1937, were as shown in table 3.

TABLE 3.—*Sugar quotas for 1937 and 1938*

Area	Quotas in short tons, 96° raw value	
	1937	1938 ¹
Domestic areas:		
Domestic beet sugar.....	² 1,417,009	1,572,557
Mainland cane sugar.....	472,337	426,309
Hawaii.....	² 984,210	951,751
Puerto Rico.....	897,063	809,648
Virgin Islands.....	10,023	9,046
Total domestic.....	3,780,642	3,769,311
Foreign countries:		
Commonwealth of the Philippine Islands.....	² 998,499	² 991,019
Cuba.....	2,148,951	1,939,543
Foreign countries other than Cuba.....	114,641	80,683
Total foreign.....	3,262,091	3,011,245
Total of quotas.....	7,042,733	6,780,556

¹ General Sugar Quota Regulations, Series 5, No. 1, Rev. 1.

² After reallocation of deficit.

The quota provisions of the Sugar Act require that the basic factor for determining the sugar requirements of consumers in the continental United States shall be the quantity distributed for consumption during the 12-month period ending October 31 next preceding the calendar year for which the determination is made. Whereas the distribution of the quotas, other than those of the domestic sugar-beet area and the continental cane area, under the Jones-Costigan Act was based upon the volume of importations from each source

during the 3 most representative years in the period 1925-33, the distribution of the quotas to the several producing areas under the Sugar Act of 1937 represents exact percentages, as set forth in the act, of the estimated continental consumption requirements.

In the administration of the quota plan it is required that deficiencies found in any area's quota supply be reallocated. Pursuant to this provision deficits which were found in Hawaii, the Commonwealth of the Philippine Islands, and the domestic beet area in 1937 were reallocated, and a 1938 deficit found in the quota supply of the Commonwealth of the Philippine Islands has been reallocated to foreign countries other than Cuba.

In order to prevent disorderly marketing of Puerto Rican sugar, the mainland sugar quota and the local consumption quota for that area have been distributed in the form of marketing allotments. The 1938 local consumption requirements for Hawaii and Puerto Rico have been determined to be 29,285 and 73,851 short tons of sugar, raw value, respectively.

As in previous years, the Bureau of Customs has cooperated with the Agricultural Adjustment Administration in maintaining administrative control over importations of sugar at ports of entry.

Conditional payments.—In order to qualify for conditional payments producers are required to meet certain standards established pursuant to title III of the act. The payments are made at a basic rate of 60 cents per hundred pounds of commercially recoverable sugar, raw value. The rate decreases as the quantity of sugar produced on the farm increases, and reaches a minimum of 30 cents on that portion of the total quantity of sugar or liquid sugar produced on the farm in excess of 30,000 short tons. The quantity of commercially recoverable sugar, raw value, has been calculated from statistics of recoveries in prior and current years.

Abandonment or crop deficiency payments are provided for in the event of bona fide abandonment and crop deficiency caused by drought, flood, and similar causes. Deficiency payments are authorized on an amount of sugar equal to the difference between the actual yield and 80 percent of a normal yield. Abandonment payments are provided for only on an amount of commercially recoverable sugar, raw value, equal to one-third of the normal yield of the abandoned acreage.

In his message to Congress with respect to sugar, the President on March 1, 1937, stated that:² "The social and economic effects of an adequate excise tax on sugar are so important to the welfare of the various groups affected as to constitute a necessary complement to the quota system."

One of the purposes of the conditional payment and tax plan is to distribute the aggregate income within the sugar industry in such manner that each of the various groups within each area will be treated equitably. It was found that without a tax and conditional payments (as was the case during parts of 1936 and 1937), processors generally were earning large profits while the income of labor and of the producer was sharply restricted in relation to the general advance which occurred.

² The full text of the message is given in exhibit 28 of appendix H.

The act requires that a processor who is also a producer and as such applies for a conditional payment must, under section 301 (d), pay for sugar beets or sugarcane at rates not less than those determined after investigation and due notice and opportunity for hearing, to be fair and reasonable. Section 301 (b) sets forth the same requirements with respect to hearings on fair and reasonable wage rates. In the interest of economy, the hearings on both problems have been conducted at the same time and place by the same presiding officer.

In the mainland sugarcane area the rates agreed upon between processors and producers for cane of the 1937 crop were based primarily upon a determination of fair and reasonable prices for the 1935 crop made under the former program and have been deemed to be fair and reasonable for conditional payment purposes for 1937. Because of the freeze which occurred after grinding was well under way a supplemental determination of rates for frozen cane was found necessary. Under the supplemental finding deductions in price were permitted at a rate of 3.775 percent of the price otherwise required for each 0.25 cc of the acidity above 2.25 cc.

In the sugar-beet area the rates established in the purchase agreements entered into by processors and cooperative bargaining associations of growers and in use in 1937 were approved for that year, and in those agreements voluntarily made between producers and processors with respect to the 1938 crop such agreements have been determined to be fair and reasonable for that crop. In the absence of an agreement with respect to the 1938 crop, rates not less than those set forth in the 1937 contracts were approved as fair and reasonable, provided a minimum of \$5 per ton were paid for sugar beets containing 16.5 percent sucrose in the cosettes or 16.8 percent sucrose in the beets, the minimum price for beets containing more or less sucrose to be varied in direct proportion to the quantity of sugar in the beets.

In the case of Puerto Rico, rates equal to those prevailing in 1936-37, provided the producer received not less than 63 percent of the recoverable sugar and provided further that the cane was of a sufficiently good quality to yield not less than 9 pounds of sugar per 100 pounds of cane, were approved for the 1937-38 season (commonly known as the 1938 season) and a definite formula for the determination of recoverable sugar was set forth. Payment could be made either in the form of sugar or the money value of the recoverable sugar, the money value to be determined in accordance with the average price of 96° sugar, f. o. b. mill basis. In the case of canes other than those of the "noble" types, rates not less than those established in the previous grinding season by agreement between the grower and processor could be used. For Hawaii, the prices agreed upon between growers and processors for sugarcane harvested after July 1, 1937, will qualify the processor-producer for conditional payments.

Labor requirements.—The act specifically states that no child under the age of 14 years, other than a member of the immediate family of the legal owner of not less than 40 percent of the crop, may be employed in the production, cultivation, or harvest of a crop of sugar beets or sugarcane if the producer is to receive a conditional payment.

The act also requires that no child between the ages of 14 and 16 years, other than with the exception noted above, shall be employed for longer or be permitted to work for longer than 8 hours a day. It requires that wages of everyone employed on the farm in the production, cultivation, and harvesting of sugarcane shall have been paid, and paid at rates not less than those deemed by the Secretary of Agriculture to be fair and reasonable.

To effectuate the labor provisions of title III of the act a determination of fair and reasonable wages for harvesting the 1937 crop of sugar beets was issued on January 25, 1938. This determination required a maximum increase in the harvesting rate of 12 cents per ton, and provided that if topping rates (the only rate in question at the time) of not less than \$7.50 per acre of beets yielding 7 net short tons per acre, and 75 cents for each additional ton, had been paid, no additional wage payment was required to qualify the farm for a conditional payment. This determination applied only to harvesting done after September 1, 1937.

On April 4 a determination which applied to all beet work in connection with the 1938 crop was issued. It divided the country into 7 districts and established rates for each. These are the only two wage determinations applying to the sugar-beet area that have been issued between September 1, 1937, and the completion of the harvest of the 1938 crop.

The first determination of fair and reasonable wages for the domestic sugarcane area was issued on November 12, 1937. It was applicable to the harvesting of sugarcane in the Louisiana area. A supplementary determination providing harvesting rates for Florida was issued on March 30, 1938, and applied to the period from September 1, 1937, to June 30, 1938. A similar determination of fair and reasonable rates for the planting and cultivating of sugarcane in the mainland sugarcane area has been issued for 1938.

Fair and reasonable wages for persons employed in the production, cultivating, or harvesting of sugarcane in Puerto Rico during the calendar year 1938 were established on February 23, 1938, at levels agreed upon between producers and bargaining agencies of workers. These wage rates applied to the several seasonal operations. On April 1, 1938, a determination applying to all operations performed in Hawaii during the period from September 1, 1937, to December 31, 1937, was issued.

Proportionate shares.—As a further condition for payment the producer was required to market an amount of sugar beets or sugarcane (measured in terms of planted acreage, weight, or recoverable sugar content) not in excess of the proportionate share for the farm, the sum of the proportionate shares to represent the total quantity of sugar beets or sugarcane required to be produced in order to meet the quota of the area involved.

In the case of the mainland cane area the proportionate share for a farm for 1937 was established as the amount of sugarcane (for sugar) produced on the farm. On September 29, 1937, proportionate shares for 1938 for farms in the mainland sugar-cane area were determined on an acreage basis. Basically the share of each farm was determined to be the quotient of the sum of the average acreage of sugarcane for sugar during 1935 and 1936 plus the 1937 acreage divided by two, provided the resulting figure

represented not less than 5 acres nor more than 60 percent of the cropland on the farm suitable for the production of sugarcane. Provision was also made for new growers and exceptional cases.

The proportionate shares of farms in Puerto Rico were basically dependent on the provisions of Puerto Rico Sugar Order No. 5, issued in 1936, establishing marketing allotments for individual farms. The allotments in that order were in terms of short tons of sugar, raw value. In 1938 these allotments were multiplied by a fraction whose numerator was the sugar quota established for the area for 1938 corrected, if necessary, for inventory, and whose denominator was the total of the previous bases, plus the bases established for new growers. Special provisions were made for new growers. A similar procedure has also been established with respect to the 1939 crop.

For the protection of sharecroppers and tenants, general provisions designed to prevent the diversion of payments from the tenants and sharecroppers to the landlord have been included in the proportionate-share determinations. In addition, it is required that no producer shall interfere with contracts heretofore entered into by tenants or sharecroppers for the sale of their crop.

In view of the fact that domestic beet-sugar production has not been as large as the quota, the proportionate share of each farm in the domestic sugar-beet area for 1937 and 1938 has been determined to be the quantity of sugar beets harvested for sugar. A similar determination for Hawaii for 1937 establishes the quantity of sugar produced subsequent to June 30, 1931, as the proportionate share for the farm for that year.

Farming practices.—Under the Soil Conservation and Domestic Allotment Act continental producers of sugar beets and sugarcane received payments with respect to these crops for carrying out certain minimum conservation practices. The basis of the requirements under the Sugar Act of 1937 was taken from the program under the Soil Conservation Act. If such agricultural practices had been followed as would qualify the farm for at least one-half of the maximum payment which could have been earned with respect to sugar beets or sugarcane under the Agricultural Conservation Program in 1937, the farm was considered to have qualified with respect to soil-conservation practices for that year.

In the case of Hawaii and Puerto Rico minimum fertilizer standards based on those required for conditional payments under the Agricultural Conservation Programs were adopted for the 1937 crop year, some differentiation being made between small and large farms.

For 1938 in the domestic sugar-beet area, seeding and maintenance of adapted biennial and perennial legumes and perennial grasses, the use of green-manure crops, and the application of barnyard and commercial fertilizers in stipulated quantities have been included as alternative practices. It is anticipated that requirements similar to those of the previous year will be established for the remaining sugar-producing areas.

Field administration of conditional-payment provisions.—While all of the determinations of conditions, preparation of administrative forms, and preparation of instructions relative to determining whether the stipulated conditions have been complied with are prepared in the Sugar Section of the Adjustment Administration, the

necessary field work is done by the State and county agricultural conservation committees under the general direction of the several regional divisions established for the administration of the Soil Conservation and Domestic Allotment Act and the Agricultural Adjustment Act of 1938. The details of the organizational structures differ slightly as between regions but are essentially similar.

In the case of the domestic offshore areas the programs, other than the quota programs, are administered through the Insular Division of the Agricultural Adjustment Administration.

RESULTS OF THE PROGRAM IN 1938

At the close of the fiscal year on June 30, 1938, the Sugar Act of 1937 had been in operation for 10 months. During that period, income of the industry as a whole was maintained, and the proportionate share received by growers and labor was larger than it was in the previous 10 months.

Participation in the program is indicated by the number of applications for conditional payments received from growers. These applications totaled 69,618. The total amount of the payments due to growers in 20 sugar beet-producing States, 2 sugarcane-producing States, and in the insular areas of Hawaii and Puerto Rico is estimated at \$36,847,000.

During the period that the act was in effect, the wholesale price of refined sugar, net excluding tax, averaged \$4.112 per 100 pounds. This compares with \$4.684 per 100 pounds for the same 10 months of the preceding year. However, conditional payments at the rate of 60 cents per 100 pounds, which is equal to 64.2 cents per 100 pounds refined basis, were made to producers under the Sugar Act of 1937. Including these payments, the returns of the industry as a whole approximated \$4.75 per 100 pounds, which is above the average returns for the preceding 10 months. As a result of the operations of the act, producers and laborers received a greater share of these returns.

The 1937 sugar-beet crop, the first to be marketed under the new law, will probably give the growers an income per ton equal on the average to parity prices. There will be some decline in the income to processors. Including conditional payments, the income to growers will average close to \$10 an acre over that of the preceding year. These payments are graded downward for large producers. Independent growers of sugarcane are expected to benefit similarly. Estimates of payments to be made to producers on the 1937-38 sugar beet and sugarcane crop are given in exhibit 24 of appendix F.

Wage rates established under the provisions of the act represented an increase over wages that previously prevailed in each of the sugar-producing areas. The increase for the 1937 crop was about 6 percent in the sugar-beet areas, 8 percent for the mainland sugar area in Florida, and 20 percent in Louisiana. In Puerto Rico, sugar-crop wages in 1938 increased about 10 percent above the highest standard rates paid by any group of Puerto Rican producers in 1937. The increase in wages for work done in the Hawaiian sugarcane crop between September 1 and December 31, 1937, varied for different plantations between 5 and 20 percent.

No appreciable increase in the average cost of sugar to consumers has resulted from the imposition of the excise tax. The tax was at the rate of 50 cents per 100 pounds of 96° raw sugar. In the 10 months during which the Sugar Act of 1937 was in effect, the retail price of sugar averaged 5.6 cents per pound, or practically the same as the average price during the year that preceded the enactment of the legislation.

VI. ACTIVITIES OF THE CONSUMERS' COUNSEL DIVISION

The Consumers' Counsel Division during 1937 directed its activities toward two major ends. (1) It represented the American consumer during the formulation and administration of the various phases of the farm program, and (2) it assembled information for publication and for distribution among consumers designed to help them understand those agricultural problems which affect them, and also to assist them in the intelligent selection and utilization of agricultural products.

PARTICIPATION IN PLANNING AND ADMINISTERING PROGRAMS

At the conferences and hearings during 1937 on the agricultural conservation program, marketing agreements, and proposals for diversion of surplus farm products, Consumers' Counsel Division economists inquired into the effect of the proposals under consideration upon consumers. Upon the basis of analyses showing the probable effects of each proposal upon prices and supplies the Consumers' Counsel Division recommended the modification, the acceptance, or the rejection of the various programs, with the welfare of consumers uppermost in mind in each case.

This activity of the Division is founded upon section 7a (5) of the Soil Conservation and Domestic Allotment Act which provides that the act—

* * * shall not be used to discourage the production of supplies of foods and fibers sufficient to maintain normal domestic human consumption as determined by the Secretary from the records of domestic human consumption in the years 1920 to 1929, inclusive, taking into consideration increased population, quantities of any commodity that were forced into domestic consumption by decline in exports during such period, current trends in domestic consumption and exports of particular commodities, and the quantities of substitutes available for domestic consumption within any general class of food commodities. In carrying out the purposes of this section, due regard shall be given to the maintenance of a continuous and stable supply of agricultural commodities adequate to meet consumer demand at prices favorable to both producers and consumers.

Cooperating with the Sugar Section of the A. A. A. in the administration of the consumer-protection provisions in section 201 of the Sugar Act of 1937, the Division prepared technical data relating to the sugar needs of consumers to assist in the determination of the amount of sugar necessary for domestic requirements. Under the section cited the Secretary of Agriculture is required to consider sugar consumption and prospective changes in population, and consumer incomes in the administration of the Sugar Act.

Wherever consumer interests fell within the scope of the work of special committees in the Department, the Division participated in their work. Emphasizing consumer requirements, for example, the Division assisted in the preparation of a mimeographed report on distribution of live and dressed turkeys which was prepared at the request of turkey growers.

Commercial meat grades and their relative importance in indicating the palatability of meat to consumers are the subject of another special cooperative study now under way. This study was undertaken in 1936 under the joint sponsorship of the Division, the Bureau of Home Economics, the Bureau of Animal Industry, and the Bureau of Agricultural Economics.

To meet a need for factual material on the relationship between family income and the consumption of a given food, the Division prepared preliminary charts giving data for potatoes and sweetpotatoes, tomatoes, leafy, green, and yellow vegetables, other vegetables, fruits except citrus, poultry meats, eggs, and milk. This information is based upon analyses and summaries of the data compiled in the Study of Consumer Purchases made by the Bureau of Home Economics and Cost of Living Section of the Department of Labor, and is given for the entire country and also by types of communities.

Consumption of meat and of butter, oleomargarine, and other fats is now the subject of a study being carried on by the Consumers' Counsel Division. The study deals with the per capita consumption of these commodities in relation to per capita income of about 1,500 families of wage earners and members of low-income groups in Birmingham, Boston, Detroit, and Los Angeles. The data were made available by the Department of Labor. The report will include average prices paid for each commodity.

Consumer preferences with respect to citrus fruits were studied in a survey completed this year. Undertaken in 1936 to supply factual data for the administration of the farm program on citrus fruits, the survey is based upon interviews with 1,000 housewives in St. Louis and a similar number in Baltimore. The attitudes and preferences of these housewives in regard to fresh oranges, fresh grapefruit, canned orange juice, canned grapefruit juice, and five other allied products have been summarized and analyzed in a final report, issued as Publication 6 of the Consumers' Counsel Series.

Nonfarm sources of income for persons living on farms is the subject of another study begun in 1937 which will be completed in 1938. This study was undertaken in cooperation with the Farm Income Committee of the Department.

In addition to the foregoing activities, the research section of the Division, as a regular function, analyzed data on supplies and prices in order to determine the probable effect of the farm program on consumers. Records of retail prices of foods and other farm products and of changes in retail prices compared with consumers' incomes were kept. Studies were made of the spread between farm and retail prices, processors' margins, and financial statements of producers. This information has been used primarily in conjunction with the administration of the farm program, but also has been made available to consumers through the Consumers' Guide, press releases, public addresses, and radio programs.

INFORMATION FOR CONSUMERS

An articulate consumer movement, highly significant to agriculture, has developed in recent years according to the Consumers' Counsel Division, and is growing rapidly. New evidence is accumulating steadily from city and farm women's organizations, from city and farm cooperatives, from trades, the press, and schools and colleges, indicating that consumers are becoming more conscious of their economic interests as buyers and more insistent that those interests shall carry weight in the plans and operations of producers and distributors. The Consumers' Counsel feels that particularly with regard to feeds and other agricultural products these consumers are studying and acting upon problems of wise selection, expenditure, and consumption and of evaluating the agricultural program in its relation to consumer needs.

The evidence in the hands of the Consumers' Counsel indicates that this movement is expressing itself through a demand for more facts about the goods consumers buy. It has been estimated that more than 5 million women engaged in 1937 in organized study of their buying problems. The movement expresses itself in negotiation with business for better buying information through retailer-consumer and industry-consumer councils. Government agencies advising in the formulation of trade rules and administering trade-practice laws have felt the pressure of this movement in a demand for presentation of the consumer side of the problems they work on.

The consumer movement engages in the distribution of goods through cooperatives which, according to information of the Consumers' Counsel, claim membership of more than a million and a third families, many of them farm families, and in 1936 did a business of nearly \$300,000,000.

Intelligent action by consumers must be based upon accurate and relevant information. Gathering this information for consumers, and helping to put it in form for their use, has been one of the important activities of the Consumers' Counsel Division. This information has fallen into four main categories:

- (1) Information on the selection and utilization of farm products to enable consumers to purchase more wisely and more economically.

- (2) Market information and news of current agricultural developments to enlarge and stabilize markets for farm products.

- (3) Information on agricultural problems including that which bears upon the points of mutual interest between them and farm producers.

- (4) Replies to inquiries on a wide variety of consumer problems.

The mediums used in informing consumers have included the Consumers' Guide, the Consumers' Market Service, a weekly radio program, special bulletins, press releases, addresses by members of the staff of the Division, and voluminous correspondence.

Publication of the Consumers' Guide.—The Consumers' Guide has been the most important channel of information to the consumers. The Guide is published twice each month and has a circulation of

135,000 housewives, students, extension agents, editors, teachers, municipal and State officials, and workers in social and welfare agencies.

Housewives have learned through it how to purchase food economically and have been encouraged to introduce new fruits and vegetables into their family menus for greater nutrition and more healthful diets. Through the Guide the Consumers' Counsel has sought to increase realization among consumers as to their civic responsibilities, and has encouraged them to form study groups and consumer clubs. Cooperation between consumers and Government agencies has been encouraged.

Consumers learning of farm surpluses through the Guide have extended the effectiveness of their own purchases and at the same time helped relieve these market congestions. In college and high school economics classes the Guide is used sometimes as a text and sometimes as standard reference material. Editors of farm magazines, of labor papers, of daily papers, and of general magazines, have reprinted its articles in whole or in part. State and Federal officials have enlisted the Guide's aid in securing consumer cooperation for their agencies. Social workers use the Guide in their efforts to help families on low incomes or families receiving public assistance maintain healthful diets despite their inadequate incomes. Extension agents have used the Guide as basis for discussion in club work.

Besides setting forth the goals of agricultural adjustment and describing the broad objectives of consumers, Guide articles have dealt with specific commodities, definite problems, and the actual work of various Government agencies. As an example of commodity information, milk was given extended treatment in one series of Guide articles; dairymen's problems, the problems of milk marketing, the methods of handling milk, milk laws and regulations were all described simply and authoritatively. These articles also gave specific advice on the selection and use of dairy products. Articles appeared on the work of the Food and Drug Administration, the Consumers' Purchase Study, the Federal Trade Commission, and the Rural Electrification Administration and other similar agencies.

Other consumer services.—Since its inception, the Consumers' Counsel Division has become a focal point toward which consumers turn for many different kinds of information. Many inquiries are answered by the Division itself, frequently at the expense of considerable research work. At least 10,000 such inquiries have been handled in the course of the year.

An acute need for material suitable for use in consumer study groups became evident. To meet this need a 12-page bulletin, "A Study Plan for Consumers," was prepared. It describes eight subjects for discussion and contains references to source material in the Consumers' Guide. This booklet is now being revised for reissue in 1938.

The final installments of the Consumers' Bookshelf, a bibliography of low-cost bulletins and publications by Federal agencies and selected impartial agencies, appeared in the Guide during 1937. This bibliography brings together a list of references to material on selection and use of various products for use in schools, study groups, and all other groups hampered by lack of sufficient inexpensive study material. This bibliography was prepared in cooperation with the Consumers Project of the Department of Labor.

To obtain an accurate picture of the present state of consumer education, the Division, in cooperation with the Office of Education of the Department of the Interior, made plans for a nationwide survey of this field. Questionnaires have been printed which will be sent to approximately 150 colleges and 500 high schools. This survey is intended to present for the first time a comprehensive picture of the extent of consumer education in the United States.

Consumer Market Service.—Information on changes in food supplies and prices is distributed through the Consumers' Market Service, a 2-page mimeographed bulletin issued semimonthly to about 1,800 individuals, most of whom are nutrition specialists concerned with quantity food purchases, buyers for consumer clubs and cooperatives, and editors of food journals.

Radio.—In collaboration with the General Federation of Women's Clubs, the Division broadcasts discussions of consumer problems once each week over a national network. "Consumer Time on the Air" is designed to promote a better understanding of the consumers' interest in the agricultural program and to acquaint consumers with Government information and services available in helping them meet individual problems.

COST OF LIVING IN 1937

Living costs continued moving up in 1937, but the advance was almost entirely in nonfood items. Food costs in December were slightly below December 1936 because a marked decline in food prices during the last half of 1937 canceled the entire increase of the first half. The cost of nonfoods, however, went up steadily during the year, registering an advance of 4 percent. While the cost of living declined slightly during the last quarter of the year, as a result of lower food prices, only a small part of the advance of the first 9 months was canceled.

The index of the cost of living for wage earners and low-salaried workers, as reported by the Bureau of Labor Statistics, increased 2.5 percent from 82.4 to 84.5, from December 1936 to December 1937. Living costs were 10 percent higher than in December 1932, but 13 percent lower than in December 1929.

For the second successive year house furnishings and rent exhibited the sharpest increases of the six items included in the index. The former went up 10.5 percent, while rents jumped 6 percent. Clothing costs increased 5.5 percent, while miscellaneous items were 1.9 percent higher. Fuel and light, and food, the only two items which declined, went down 0.6 percent and 0.3 percent, respectively.

Consumer income went up more than living costs during 1937. Labor income as reflected in factory payrolls increased 19 percent, and the per capita income of the nonfarm population increased 9.5 percent.

MARGIN BETWEEN FARM AND RETAIL PRICE OF FOOD

Accurate information on the distribution costs between the farmer and the ultimate consumer is essential to the protection of the consumer's interest under an agricultural program. Since the Depart-

ment of Agriculture has no authority to require middlemen to report such cost information, and little authentic information of this kind has been forthcoming voluntarily from middlemen, margin studies made by the Consumers' Counsel Division have been based on price series collected by Government agencies. The current records kept by the Division on retail prices, farm prices, and share of the consumers' food dollar received by farmers and middlemen, are obtained from the Bureau of Agricultural Economics.

The farmers' share of the consumers' retail dollar spent for food advanced 1 cent from 1936 to 1937, marking the fifth successive year in which an increase has occurred. Annually since the farmers' share reached its low level in 1932, farmers have received an increased proportion of the retail food dollar and middlemen have obtained a smaller share. During this 5-year period the farmers' share jumped 12 cents, or 35 percent. The increase from 1936 to 1937 was smaller than in other recent years, but the farmers' share reached its highest level since 1929.

The distribution of the retail food dollar between farmers and distributors, based upon the estimated farm and retail cost of the quantities of 58 foods purchased annually by a typical workingman's family, is given in table 4. From 1936 to 1937 the average retail cost of this food bill went up from \$342 to \$353, or \$11. During this period average annual wages per employed worker in the manufacturing industries went up from \$1,094 to \$1,205. Most of this increase in the food bill went to farmers because the average farm value of these foods went up from \$152 to \$160, or \$8. The share of distributors advanced \$3, to a total of \$193. As a result, farmers received 45 cents of each retail food dollar in 1937, compared with 44 cents in the previous years. The farmers' share of the food dollar in 1937 again was substantially below the amounts received in the years prior to 1920, but changes in distribution services and methods between these two periods limit the comparability of the figures.

TABLE 4.—*Data on costs of living, farmers' share of retail food costs, and related material*

Percentage decrease in retail food costs, December 1936 to December 1937—	0.3
Percentage increase in cost of living, December 1936 to December 1937—	2.6
Percentage increase in per capita nonagricultural income, 1936-37—	9.6
Percent of retail food cost in December 1937 to 1924-29 average—	79.6
Percent of cost of living in December 1937 to 1924-29 average—	84.0
Percent of per capita nonagricultural income in December 1937 to 1924-29 average—	87.1

Retail value and farm value of 58 foods consumed annually by a typical workingman's family, and farmer's share in the retail price, for specified years:

Year	Retail value	Farm value	* Farmer's share in retail dollar
	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>
1929.....	415	195	47
1932.....	270	88	33
1936.....	342	152	44
1937.....	353	160	45

The increased share in the consumers' retail food dollar that was received by farmers during 1937 does not include Government benefit payments which increased farmers' incomes. These benefit payments have not been included under the farmers' share in table 4. If they were included, the farmers' share would be higher than indicated and probably would show a decrease instead of an increase from 1936 to 1937. Processing taxes in effect from 1933 to 1935 have been included as part of the margin between farm and retail values.

VII. EXPERIMENTAL COUNTY CONSERVATION PROGRAMS

Concurrently with the operation of the agricultural conservation programs, studies of their adaptability and the effectiveness of different methods were needed, especially in respect to meeting regional problems.

Consequently under the 1937 program, there were established for 10 counties in the United States special conservation programs which differed in provisions and methods from the programs of the regions in which these counties were located. The purpose was to permit farmers in the 10 counties to use special ideas or local recommendations constituting the experimental programs as laboratories in which modifications of the regional programs could be tested out. The experimental programs grew out of suggestions of farmers, State specialists, and members of the Agricultural Adjustment Administration. At the conclusion of the experiment, their results could be compared with those achieved under the regional programs.

Authority for the establishment of such special programs within counties was contained in provisions of the Soil Conservation and Domestic Allotment Act authorizing surveys and research to determine the most effective means of effectuating the purposes of the act.

These special experimental programs were designed to assist in the solution of at least two different types of problems. One was the general policy type of problem. This involves such questions as whether to emphasize assistance to commercial producing farms, or to subsistence-type farms as well; and whether to concentrate on improving farm income or on achieving the maximum possible soil-conservation effect. Another type of problem related to administrative procedure. This type includes such matters as the determination of bases, goals, and conditions and rates of payment; the degree of responsibility which should be placed upon local and county committeemen; and relationships with other governmental programs.

The experimental programs tried to lay increased emphasis on the democratic aspects of the conservation program. Provisions of the special programs were often suggested and developed by county committeemen, county planning committees, county agricultural extension agents, and individual farmers. Features of the program frequently were proposed and worked out by State agricultural conservation officials or specialists from the State agricultural colleges. Sometimes, other features were proposed by Washington officials.

In all cases the special programs were laid before the farmers of the counties concerned, and farmers voted in referendums on whether

they would adopt the special program or continue with the regional programs already announced.

Of 13 special programs proposed, 9 were adopted and carried out in 1937 in 10 different counties, representing 9 different type-of-farming areas.

These programs were set up in the following counties:

Weber and Davis Counties, Utah, representing the irrigated intermountain type-of-farming area.

Pondera County, Mont., representing the less extensive wheat-growing area of the northern Great Plains.

Tama County, Iowa, representing the livestock farming enterprise of the Corn Belt.

Pulaski County, Ark., representing the level delta and rolling Cotton Belt with small farms predominating.

Kemper County, Miss., representing the hilly eastern Cotton Belt country.

White and Johnson Counties, Tenn., representing the self-sustaining and general farming sections of the eastern Appalachian area.

Guilford County, N. C., representing the general farming section of the Upper Piedmont.

Kent County, Md., representing the general farming area of the Middle Atlantic States.

Of the programs developed but not adopted in 1937, some were rejected by the Agricultural Adjustment Administration as not being in line with the provisions and purposes of the national conservation program; some were studied but not recommended by the State conservation committees; and one was voted down in the referendum among farmers, as not offering any advantages over the regional program for their county.

RESULTS OF THE 1937 PROGRAMS

Results of the special programs, and comparison of these results with the results of the regional programs in the same areas, were a matter not only of statistical calculation, but of general observation of the effectiveness, adaptability, and acceptability of the programs.

In Weber and Davis Counties, Utah, the special programs followed the provisions of the regional program very closely except that in addition to the other soil-building practices by which farmers were able to obtain payments, farmers in these regions were able to earn payments by making more efficient use of the irrigating water applied to their land. This use was classified as a soil-building practice. In these counties 125 farmers adopted the special practice and recommended its continuance for another year.

The Pondera County, Mont., program made diversion of acreage from soil-depleting crops an optional soil-building practice, paid for on that basis. Rates of payment for soil-building practices in this county were higher than those under the regional program. Simplicity of operation and emphasis on the increase in soil-conserving crops were the principal objectives of the county program. In Pondera County there were large increases in acreages of legumes, grasses, and summer fallow in 1937 as well as large diversions from

soil-depleting crops. Statistical evidence of the extent to which these results were dependent upon the county program is not available.

In Tama County, Iowa, the special program provided for farm goals and bases calculated according to the needs of the individual farm rather than on historical land-use bases. Payments were based largely on the increases in soil-conserving crops. Emphasis was laid on the objectives of soil-conservation and soil-building on individual farms where soil conditions were worse than on the average. This procedure placed heavier responsibility on county and local committeemen than did the procedure under the regular regional program. Specific internal results in Tama County were greater than in counties under the regional program, even with smaller average farm payments, in regard to controlling the acreage of corn and of all depleting crops, and in inducing the growing of conserving crops on all farms in the county. The program was participated in by a larger proportion of farmers than was the regional program in similar counties.

In Pulaski County, Ark., and Kemper County, Miss., the program laid special weight upon reduction in the acreage of cotton. Importance of soil-building practices was also stressed, and less emphasis was placed upon the use of land on the farm in crops other than cotton. The simplicity of the program as carried out in Pulaski County constituted its major advantage, results being similar to those obtained under the regional program. The Kemper County program was at least as successful as the regional program.

On the predominantly small general farms in Johnson County and the subsistence farms in White County, Tenn., soil-conservation practices and income maintenance were stressed rather than diversion from soil-depleting crops. In some respects the programs in these counties showed better results than did the regional program.

In Guilford County, N. C., and Kent County, Md., the programs were closely adjusted to individual farms. Individual bases and goals were worked out, and farms were scored on the basis of how nearly they approached the goals. The procedure showed little advantage over the provisions of the regional programs.

Among the more general and less tangible results of the special experimental county programs were the building up of good will for the adjustment program as a whole, the accomplishment of a greater degree of education among farmers with regard to the adjustment programs, the establishment of a greater confidence in the democratic procedure followed in the programs, and the development of some specific policies and administrative methods useful in the formulation of regional programs.

THE 1938 PROGRAMS

In eight States agricultural college specialists, agricultural conservation committeemen, or county groups of farmers carried on studies and developed proposals for experimental county programs. Five of the counties in which such programs were carried on in 1937—Weber, Davis, Pondera, Tama, and Pulaski—continued them in 1938. In addition experimental programs were carried on in Upshur County, W. Va.; Licking County, Ohio; Thomas County, Kans.; Jones County, S. Dak.; and Meagher County, Mont.

The Upshur County program emphasized the adoption of soil-building practices, particularly on pasture land. The Licking County program graded performance in terms of crops grown and land treatment, specifically recognizing erosion in determining performance. The Thomas County program modified the regional method of payment in order to obtain adequate adjustments in wheat and other soil-depleting crops and to encourage adoption of special soil-building practices suited to the needs of the wind-eroding soils of the hard-winter-wheat area.

In Jones County, S. Dak., and Meagher County, Mont., the programs provide for continuance over a 3-year period and deal with range allowance and stress the limited grazing principle in range conservation rather than the deferred grazing principle.

VIII. MARKETING AGREEMENTS, LICENSES, AND ORDERS

The activities described in the foregoing pages—the agricultural conservation, range, and sugar programs—may be said to comprise one main group of operations of the Agricultural Adjustment Administration.

A second main group consists of marketing agreements, licenses, and orders. This second group also includes purchases of surplus commodities for relief distribution, and diversion of surpluses to industrial uses and export.

Marketing agreements, enforceable when necessary by licenses or orders, have become steadily more important in the Agricultural Adjustment Administration farm program. One reason for their growing use has been their availability to producers of products such as dairy products, fruits, vegetables, and nuts, which have been less affected than the basic commodities by the adjustment or conservation programs. In order to understand these activities clearly, it seems advisable to describe their background briefly.

Provisions were made in the original Agricultural Adjustment Act for the issuance of marketing agreements and licenses. The agreements were to be voluntary contracts between handlers or processors of agricultural commodities and the Secretary of Agriculture. The licenses were to be regulations issued by the Secretary of Agriculture, and effective upon handlers or processors.

These marketing agreement and license provisions were originally proposed for application only to basic commodities, as an alternative approach to production control. Recognizing an opportunity to use these powers to strengthen and make more effective their efforts in the field of marketing, representatives of farmers' cooperative organizations moved to broaden the proposed form of the marketing agreement and license provisions of the legislation. As finally enacted in 1933, the Agricultural Adjustment Act authorized marketing agreements and licenses for any agricultural commodity or product whenever it seemed clear that such marketing programs would effectuate the declared policy of the act.

These provisions were covered in only four short paragraphs which were general in nature. They did not specify the essential provisions to be included in marketing agreement programs, except as

they authorized the issuance of licenses to eliminate unfair practices or charges which prevented or tended to prevent the restoration of normal marketing conditions.

In developing plans for agriculture under these marketing provisions, the Administration had few guides other than the experiences of some industry groups in the operation of voluntary clearing houses or industry-pooling arrangements for handling surpluses through supply regulations, and the experiences of large-scale cooperative organizations in similar endeavors.

The plans incorporated in the agreement programs were based on this limited experience. They were designed to fit the commodities and areas involved and the marketing structure of the industry, and as closely as they could to effectuate the general objectives set forth in the Agricultural Adjustment Act. Provision was also made for administration of the programs through industry committees.

The immediate purpose of the agreements and licenses was to improve returns to producers. The method was to try to prevent collapse of prices of farm products by elimination of acute glutting of markets. This was done by providing for limits, in time of crowded markets, of products sold in commercial outlets or by segregating surpluses through pooling arrangements on an industry basis. In some programs, provision was made for the establishment of minimum prices.

The marketing agreement provisions of the original Agricultural Adjustment Act were greatly modified in the amendments that were adopted by Congress in 1935 after prolonged consideration. The new legislation assured that marketing agreements would not only continue as an important means of helping in the orderly distribution of farm products but would be expanded from the beginnings that had been made. The amendments continued in effect the existing marketing agreements and licenses.

In addition the amendments provided for orders instead of licenses for the future, and specified the terms and conditions which could be included in such orders. An order, like a license, is an instrument of regulation, but where the license was enforced by revocation by the Secretary, the order is enforced through an action instituted in the courts. The authority for issuing orders was limited to milk, fruits (except apples), vegetables, pecans, walnuts, soybeans, and naval stores, and the products thereof, except the products of naval stores. The amendments also provided that with the exception of olives and asparagus, orders could not be issued for fruits or vegetables for canning.

Under the amended act, responsibility for initiating a program was placed largely in the hands of the respective industries concerned, by specific provisions relating to growers' approval and signature by handlers. These required that no order could go into effect unless favored by two-thirds of the producers by number or by volume of the commodity produced in the area concerned.

For commodities other than dairy products, orders could be issued to supplement marketing agreements signed by handlers of not less than 50 percent of the volume of the commodity produced or marketed. An order would also be issued to make effective a program that was included in the marketing agreement on which a public

hearing has been held, but which failed to receive the signature of the necessary percentage of handlers concerned. The amendments required that in this situation, where 50 percent of the handlers do not sign the agreement, Presidential approval of issuance of the order as well as the support of two-thirds of the producers would be necessary.

For milk, a marketing agreement must be signed by handlers. If an order is issued with an agreement, the agreement must have been signed by handlers of at least 50 percent of the volume in the marketing area. But if handlers of 50 percent of the volume of milk in the marketing area do not sign the agreement, orders may be put into effect with the approval of the President only after findings by the Secretary as follows:

1. That issuance of the order is favored by the required two-thirds of milk producers by number or volume;
2. That noncompliance of the handlers would tend to prevent achieving the purpose of the Agricultural Adjustment Act; and
3. That such action is the only practical means to advance the interests of the producers.

The requirements that an order could be issued only if two-thirds of the producers favored it brought about an important shift in administrative policies governing the development of marketing agreement programs. Producers and their representatives became more important in shaping the programs.

Administration of these programs thus became of greater concern to producers. Industry committees were replaced by administrative committees dominated by producer interests. Since the law no longer permitted the Secretary of Agriculture to delegate such authority, these administrative committees were given authority in the law to recommend to the Secretary the issuance of regulations governing operations under a marketing agreement program.

A conflict of opinion among several Federal district courts as to the separateness of the marketing agreement provisions from the production-control provisions of the Agricultural Adjustment Act arose early in 1936 after the Supreme Court in the *Hoosac Mills* case had held unconstitutional the production-control and processing-tax provisions of the Agricultural Adjustment Act. In an effort to clear up all doubt about the legal status of the marketing agreement programs, and assure that their continuance would not be jeopardized by the *Hoosac Mills* decision, Congress passed the Agricultural Marketing Agreement Act of 1937. This law reenacts and amends the marketing agreement and order provisions of the Agricultural Adjustment Act. This was done in separate legislation, thus removing the technical questions which attorneys for processors raised in the courts soon after the Supreme Court's decision on production control and processing taxes in the *Hoosac Mills* case.

Today there are in effect under the Agricultural Marketing Agreement Act of 1937 programs for fruits and vegetables affecting over 300,000 growers, and programs in the dairy industry affecting nearly 1,200,000 milk producers. Producers have taken the lead in the development and operation of marketing agreement programs. In contrast, some types of handlers have grown reluctant to become parties to marketing agreements. The fact that a marketing agreement pro-

gram seeks to improve conditions for producers should not and does not in the opinion of the Agricultural Adjustment Administration imply that it will work hardships on handlers. The act provides for equitable treatment of handlers, and from a practical operating standpoint such treatment must be assured if marketing agreement programs are to be lasting and achieve their objectives.

Two general types of programs are provided for in the Marketing Agreement Act—one type for general crops (chiefly fruits and vegetables) and another for milk and its products. The law contains specific provisions governing regulations which may be issued under each type of program.

PROGRAMS FOR GENERAL CROPS

Marketing agreement programs provide for the regulation of shipments from producing areas to markets in the current of interstate or foreign commerce or directly affecting such commerce. These regulations, issued by the Secretary on the recommendations of industry committees administering the programs, are designed to adjust supplies more nearly in line with market conditions. Supplies moving to markets may be regulated either on the basis of volume or on the basis of grades and sizes shipped. These regulations may be put into effect separately or in combination.

Through these measures, alternate periods of glut and scarcity may be prevented and speculative risks minimized. These contributions which a marketing agreement program can make represent a big advance in the direction of reducing marketing costs. As a result, prices in terminal markets tend to follow a more even path, without the wide fluctuations which create doubt and encourage speculation. The long-time benefits which accrue to farmers and consumers as well as to handlers when produce moves to markets on a more orderly and less speculative basis should be obvious. Greater stability of both supply and price serves the interests of all three groups. In addition, the increased stability of supply and price factors may encourage a greater total quantity of produce to move to markets and into consuming channels, with benefit to consumers and producers, and handlers as well.

Prior to 1937 programs for fruits and vegetables were in effect through both marketing agreements and orders, and in most cases the agreements were signed by handlers representing considerably more than the 50 percent of the volume of the commodity involved. In 1937, the first orders without marketing agreements in the fruit and vegetable field were issued for potatoes. These orders were issued to regulate the grade and size of potatoes shipped out of producing areas in the States of Michigan, Wisconsin, Minnesota, North Dakota, Colorado, Nebraska, Wyoming, and Idaho, after growers had voiced their approval and handlers had indicated their refusal to sign the agreements. This action was made necessary by a critical situation which confronted potato growers because of an unusually heavy crop and extremely low prices.

During the period from May 12, 1933, when the original Agricultural Adjustment Act was approved, until June 30, 1938, programs utilizing marketing agreements, licenses, or orders were made effective for a wide variety of general crops. These programs, ef-

fective within the above period and as of July 1, 1938, classified according to types of commodities are listed as follows:

Marketing Agreement Programs.—

PROGRAMS IN EFFECT JULY 1, 1938

Pacific Coast Walnuts.	Potatoes—Michigan, Wisconsin, Minnesota, and North Dakota.
California-Arizona Citrus.	Potatoes—Colorado, Nebraska, and Wyoming.
Western Washington Vegetables (lettuce, peas, and cauliflower).	Florida Celery.
Southeastern Watermelons.	Potatoes—Alabama, Florida, Louisiana, Mississippi, and Texas.
Colorado Vegetables (peas and cauliflower).	California and Arizona Cantaloupes.
Utah Onions.	Package Bees and Queens.
Texas Citrus.	Connecticut Valley Shade Grown Tobacco.
Oregon Cauliflower.	
Potatoes—Idaho.	

OTHER PROGRAMS EFFECTIVE PRIOR TO JULY 1, 1938

California Canning Asparagus.	California Tokay Grapes.
California Ripe Olives.	Colorado Peaches.
California Clingstone Peaches.	Southeastern Potatoes.
California Dates.	Florida Strawberries.
California Dried Prunes.	California Fresh Deciduous Tree Fruits.
California Raisins.	Northwest Fresh Deciduous Tree Fruits.
California Gravenstein Apples.	Turpentine and Rosin.
California Fresh Asparagus.	
California Citrus Fruits.	

Nearly all of the general crop programs apply to commodities of a single area within which production is highly localized and specialized. Also, most of the producing areas covered by these programs are located at considerable distances from the principal consuming centers. Furthermore, most of the commodities included in these programs are highly perishable and many of them are perennial crops.

Largely because of these conditions, returns to producers are particularly susceptible to severe maladjustments in production and extreme fluctuation in current market supplies. Likewise, the demand for many of these commodities is subject to radical changes from year to year because of variations of supplies, competing commodities, and abrupt changes within the season due to changes in weather.

The net result of these forces has been widely fluctuating prices to both producers and consumers, periods of market gluts followed by periods of scarcity, and losses on consignment shipments with large supplies going unharvested or otherwise wasted. The serious market gluts have resulted in many producers finding little or no market for their products, in the accumulation of burdensome carry-overs of the less perishable commodities, and in general dissatisfaction among farmers and losses to them and to consumers and handlers. These results have been particularly adverse during depression.

THE PROGRAM FOR THE DAIRY INDUSTRY

Besides the Agricultural Conservation Program, which has been especially useful to dairymen, and the Ever-Normal Granary, which is helping to stabilize feed corn supplies, direct assistance has been

given the dairy industry through the marketing agreements and other provisions in the act. These plans for the dairy industry have involved (1) the issuance of marketing agreements, licenses, and orders regulating the handling of milk in interstate commerce, (2) the issuance of a marketing agreement and license for the evaporated milk industry and a marketing agreement for the dry skim milk industry, (3) removal of surplus dairy products from the normal channels of trade and distribution to persons on relief, and (4) elimination of diseased dairy cattle.

Only the programs under the first, second, and fourth of these activities are outlined in the pages immediately following. An account of the purchases of surplus dairy products for relief distribution is included in the following general section on surplus removal.

Agreements, licenses, and orders for fluid milk.—The legal basis for a Federal program pointed toward the regulation of fluid milk marketing processes first was contained in section 8 of the Agricultural Adjustment Act of 1933. Although broad powers were given to the Secretary under these provisions, the powers were vague in that no specific line of action or outline of specific provisions to be included in the licenses was set forth.

Soon after the act was passed, however, proposals for definite programs for the dairy industry were presented to the Administration by the representatives of the industry. In the main these proposals differed from those for other commodities in that they omitted any direct production-adjustment features. Price-fixing and fair trade practice provisions incorporated in a marketing agreement were the principal items in all of the proposals. Other provisions were generally an outline of the customary marketing and bargaining practices in each dairy industry. These proposals became the basis of the program in 1933.

Specifically, the fluid-milk industry proposed that marketing agreements and licenses be issued for each fluid-milk market. The agreements and licenses were to provide for quite rigid regulation of market prices and trade practices. In general, the proposed agreements and licenses provided for (1) the classification and pricing of milk according to the use made of it by distributors, (2) a method for prorating to producers the proceeds of sales to distributors, involving some form of pooling, and (3) a rather complete schedule of resale prices to be charged by distributors.

Because the proposed marketing agreements and licenses did appear to meet the pertinent problems, 15 marketing agreements and licenses for fluid milk such as those described above, and marketing agreements for the evaporated-milk industry and the dry skim-milk industry, were issued in 1933.

Difficulties in the enforcement of the fluid-milk agreements and licenses were immediately encountered, especially with respect to the resale provisions. In January 1934 the Federal Government adopted a policy of issuing licenses which contained no provisions for the fixing of resale prices. Prices to producers were to be fixed at a reasonable level pointed toward stabilizing the producer price structure and effectuating the policy of the act relative to returns to producers; the other provisions of the licenses were to remain largely the same as those embodied in the agreements which they supplanted. On the whole, the policy adopted in 1934 is still being followed.

As was the case in the early marketing agreements and licenses, enforcement of the licenses which were issued pursuant to the policy established in January 1934 was exceedingly difficult. This difficulty was caused by the uncertain legal status of the program, which has been one of the major difficulties encountered in Federal regulation of milk marketing and was one of the major reasons for the decline in regulatory activity during 1935. Under the 1934 policy, licenses were issued for some 52 markets, but enforcement difficulties, adverse court decisions, etc., led to withdrawal from a number of these markets.

The increasing uncertainty as to the attitude of the courts relative to marketing agreements and licenses for dairy producers as well as other farmers led to the amendment of the act in 1935. The amendments to the act incorporated in a great deal of detail those features of the program which had been found to be desirable as an aid in stabilizing fluid-milk markets, and set forth rather clearly the powers and duties of the Secretary relative to the regulation of fluid-milk markets.

Following the decision of the Supreme Court in the Hoosac Mills case in 1936, and the raising in the lower courts of questions as to the validity of the marketing agreement and order program, new difficulties beset the dairy marketing program. Soon after the Hoosac Mills decision, order No. 4 regulating the handling of milk in the Greater Boston marketing area, was put into effect, and enforcement troubles immediately arose. In a case involving the order in Boston, the order was held to be unconstitutional on the basis that the Supreme Court's decision in the Hoosac Mills case had invalidated the entire Agricultural Adjustment Act, including the marketing agreement provisions. This decision was later reversed by the circuit court of appeals, but before this decision was rendered by the circuit court, the Agricultural Marketing Agreement Act of 1937, reenacting and amending the marketing agreement and order provisions of the Agricultural Adjustment Act as amended in 1935, was enacted.

Since the passage of the Agricultural Marketing Agreement Act of 1937, the activity of the Federal Government in the regulation of fluid-milk markets has been expanded materially, especially in 1938.

At the present time, licenses are in effect in San Diego, Calif.; Battle Creek and Kalamazoo, Mich.; Louisville, Ky.; Denver, Colo.; New Bedford, Mass.; Wichita and Leavenworth, Kans.; Omaha-Council Bluffs, Nebr. and Iowa; Sioux City, Iowa; Lincoln, Nebr.; and Quad Cities (East Moline, Moline, and Rock Island, Ill., and Davenport, Iowa).

The decline in the number of milk markets under license (a total of 52 licenses were issued prior to the 1935 amendments to the act) represents in part a reduction in the number of markets under regulation because of a policy of regulating only those markets clearly within the scope of Federal authority, and in part a shift from licenses to orders pursuant to the amended act. In other markets, the market situation developed to the point where local groups could take full charge, and Federal activity in such markets was discontinued.

Six orders, issued under the act as amended in 1935 and under the Agricultural Marketing Agreement Act of 1937, are now in effect. These orders regulate the handling of milk in Boston, Mass.;

La Porte, Ind.; St. Louis, Mo.; Dubuque, Iowa; Kansas City, Mo.; and Fall River, Mass. Marketing agreements are in effect in Fort Wayne, Ind., and Topeka, Kans., while marketing agreements and orders are in effect in Cincinnati, Ohio, and New York City.

During 1938, material progress has been made in the regulation of the handling of milk in interstate commerce. The marketing agreement and order for Cincinnati, Ohio, was made effective May 1. The work involved in the issuance of an order for Toledo, Ohio, is nearing completion. The ground work has been laid for the issuance of an order for Philadelphia, Pa., but it appears that the troubles in this market may be rectified without the necessity of an order being issued. In connection with all activity undertaken relative to the issuance of orders, it is to be noted that such activity is undertaken only at the request of producers.

While the regulatory activity in the markets just noted represents a marked increase over that of the last 2 or 3 years, by far the greatest step in regulation of milk marketing under the act was undertaken when the New York order went into effect September 1, 1938. The New York market is the largest and perhaps the most complicated milk market in the United States, if not in the world, and the issuance of the order for this market is the result of over a year's work with producers in that market. This agreement had been in effect only a brief time when this report was written and its operations cannot be detailed in this report.

Although the program for Federal regulation of the interstate commerce of milk in fluid-milk markets was still beset by legal difficulties, progress was being made in the enforcement of orders at the time this report was prepared. The Federal Government had been successful in securing temporary injunctions against 31 handlers in Boston who were in violation of the order. The circuit court of appeals had upheld this injunction but had granted the handlers the privilege of paying the moneys ordered to be paid to the market administrator under the order and under the temporary injunction of the Federal district court into the district court pending trial of the cases on their merits.

Starting in January 1938 hearings on a permanent injunction were begun before a special master appointed by the Federal district court. These hearings were concluded in May, and at the writing of this report the preparation of the findings of the master was being completed. Undoubtedly the material increase in activity relative to the issuance of orders could be largely attributed to the success of the Government in litigation involving orders issued under the Agricultural Marketing Agreement Act of 1937.

Marketing agreements and licenses for manufactured dairy products.—The intention of the Administration to develop marketing agreements for dairy products other than fluid milk made a beginning during 1933. A marketing agreement was issued for the evaporated milk industry, which accounts for about 4 percent of all milk produced, and one for the dry skim milk industry. The proposals for marketing agreements for butter, cheese, and ice cream, accounting for over 40 percent of all milk produced, were never made effective.

Soon after the act was passed, producers and manufacturers of evaporated milk requested Government aid under the marketing agreement and license provisions of the act. An agreement was finally worked out and made effective September 9, 1933. It was signed by all manufacturers except three small firms.

This agreement provided for (1) the fixing of minimum prices to producers on a formula basis, which varied slightly for different sections of the country, with butter mainly constituting the basis of prices, (2) the fixing of maximum and minimum prices which manufacturers were allowed to charge wholesale distributors and commissaries, and (3) the establishment of a set of trade practice rules, such rules being pointed primarily to the elimination of any kind of discount or rebate for advertising allowances.

While this agreement appears to have increased prices to producers, considerable opposition soon developed in connection with the fixing of manufacturers' selling prices. In addition, the smaller manufacturers were of the opinion that the manufacturers' committee, which was set up to administer the terms of the agreement, was partial to large distributors and did not give enough consideration to the problems of small manufacturers.

The Marketing Agreement for Dry Skim Milk was made effective on September 16, 1933. Rather than acting directly to increase farm income by establishing producer prices as was the policy for fluid milk and evaporated milk, this agreement was designed to increase farm income by establishing an open-price plan which required that all signing parties inform the managing agent (the official selected to administer the program), who in turn informed the other manufacturers, of all price changes that were to be made. To give these filed prices some meaning many regulations covering the methods of sale, basis of price quotation, and other important trading practices were incorporated in the agreement. All sales by a manufacturer had to be made at the current price which he had filed with the managing agent.

Little difficulty was experienced in the operations of these two agreements in 1934. The evaporated-milk agreement was not amended or changed during 1934. The dry skim-milk agreement was amended only slightly, principally to simplify certain classification provisions, to lower discounts, and to clarify the status of the users of the dry skim milk in the feed industry who had been reselling the dry milk at lower prices than those at which the manufacturers were allowed to sell.

Since 1934 marketing agreement and license activity relative to manufactured dairy products has centered mainly around the evaporated-milk agreement.

Increasing difficulties, arising principally from the schedule of manufacturers' selling prices, which were fixed in the evaporated milk agreement, led to a revision of the agreement in June 1935. This revised agreement eliminated the schedule of fixed manufacturers' selling prices, continued the fixing of producers' prices on a formula basis, six pricing regions being specified in this connection, and granted some increase in the authority of the producers' committee. Also, the representation of the small manufacturers on the manufacturers' committee was increased.

Inasmuch as many of the manufacturers did not sign the new agreement, the industry was licensed. However, the most important change in the agreement was the development of the system of price filing by manufacturers to take the place of the fixed schedule of manufacturers' selling prices set forth in the previous agreement.

Since the issuance of the agreement and license in June 1935, the industry appears to have worked fairly satisfactorily. In many cases the prices paid producers in the several producer-price zones have been materially above the minimum prices established by the formula.

OTHER DAIRY PROGRAMS

Congress on April 7, 1934, in section 6 of the Jones-Connally Cattle Act, authorized the appropriation of \$50,000,000 to enable the Secretary of Agriculture to take steps to eliminate diseased dairy and beef cattle, including those affected with tuberculosis and Bang's disease, and for other purposes. In order to continue the program, and for other purposes, Congress in 1935 reappropriated the unexpended balance of the funds appropriated in section 6 of the Jones-Connally Cattle Act and authorized the appropriation of an additional \$40,000,000, of which amount \$10,000,000 was appropriated. On June 4, 1936, Congress reappropriated \$21,364,000 from any unobligated balances of the appropriation made for cattle disease elimination and continued their availability, together with any unexpended balance of the \$10,000,000 previously appropriated pursuant to section 37. On June 29, 1937, Congress reappropriated \$15,864,000 from any unobligated balance of the \$21,364,000 made available for the fiscal year 1937, together with any unobligated balances remaining in section 37 funds. These funds remained available until June 30, 1938.

Eradication of bovine tuberculosis.—Before the tuberculosis work was expanded through the appropriation of additional funds there were 13 States modified accredited for tuberculosis.³ After over 3 years of expanded activity in this work there are now only two States that are not modified accredited.

During the period July 1934 to May 1, 1938, there were 73,447,530 tuberculin tests applied to cattle in 6,174,512 herds, and 713,105 reactors were eliminated. (See table 5.) The percentage of reactors among cattle tested in the month of April 1938 amounted to 0.7 percent, whereas the percentage in July 1934 amounted to 2.9. The additional expenditures, first authorized by the Jones-Connally Cattle Act, have extended over a period of 3 years and 10 months and have amounted to approximately \$19,552,646.

Eradication of Bang's disease.—Although no large scale efforts to eradicate Bang's disease had been attempted prior to the program initiated in July 1934, the work has met with enthusiastic approval by the majority of the livestock owners throughout the country. The program has always been conducted on a voluntary basis in cooperation with livestock owners and State authorities. In addition to a Federal payment received by the owners of cattle reacting to the Bang's test, there are now 12 States which make additional State payments to the owners.

³ States that have not more than one-half of 1 percent of their total cattle population infected with the disease.

During the period July 1934, to May 1, 1938, there were 24,436,841 tests applied to cattle in 1,855,195 herds and 1,501,141 Bang's reactors were eliminated. (See table 6.) The percentage of reactors among cattle tested has steadily declined from 14.9 percent in 1934 to 4 percent in the month of April 1938. Approximately \$47,910,790 have been expended for operating costs and indemnity payments during the 3 years and 10 months the program has been in effect.

As was the case in the eradication of bovine tuberculosis, the work in connection with the Bang's disease program is progressing along the lines of area testing. An area consists of a county or parish, and all breeding cattle 6 months of age and over are repeatedly tested until the disease has been eradicated. Area work is now being conducted in 290 counties or parishes of 22 States, with an additional 50 counties on the waiting list.

TABLE 5.—*Tuberculin testing under the Federal-State county program and the Jones-Connally Cattle Act showing only expenditures of funds provided under the Jones-Connally Cattle Act and subsequent acts, July 1934 to July 1, 1938*

State	Tests applied to—		Reactors	Percent reactors are of total tests applied to cattle	Expenditures		
	Herds	Cattle			Operating	Indemnity	Total operating and indemnity
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Percent</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Maine.....	37,869	307,847	535	0.17	6,889	0	6,889
New Hampshire.....	59,738	534,590	1,334	.25	0	11,281	11,281
Vermont.....	72,633	1,291,658	8,083	.63	72,705	183,719	256,424
Massachusetts.....	114,928	1,016,087	13,172	1.30	25,528	28,520	54,048
Rhode Island.....	14,919	144,463	5,187	3.59	3,152	2,168	5,320
Connecticut.....	70,738	810,476	14,647	1.81	0	275,390	275,390
New York.....	535,230	7,893,031	189,129	2.40	357,722	4,041,386	4,399,108
New Jersey.....	79,266	952,601	8,023	.84	240	15,588	15,828
Pennsylvania.....	292,778	2,759,975	36,400	1.32	108,692	44,615	153,307
NORTH ATLANTIC.....	1,278,099	15,710,728	276,510	1.76	574,928	4,602,667	5,177,595
Ohio.....	284,086	2,225,189	5,848	.26	160,441	80,612	241,053
Indiana.....	65,693	818,503	3,219	.39	20,277	8,122	34,399
Illinois.....	416,880	4,552,189	19,505	.43	0	14,671	14,671
Michigan.....	211,455	1,840,465	2,272	.12	0	0	0
Wisconsin.....	205,803	3,825,753	9,077	.24	152,874	218,089	370,963
EAST NORTH CENTRAL.....	1,183,917	13,262,099	39,921	.30	339,592	321,494	661,086
Minnesota.....	256,470	3,347,262	9,411	.28	153,310	170,692	324,002
Iowa.....	353,997	6,443,140	49,849	.77	240,224	546,322	786,546
Missouri.....	192,087	1,502,850	1,502	.10	317,770	34,890	352,660
North Dakota.....	40,358	702,028	3,175	.45	49,360	63,459	112,819
South Dakota.....	156,816	3,166,763	32,772	1.03	775,518	706,094	1,481,612
Nebraska.....	151,652	3,470,996	17,234	.50	582,557	374,315	956,872
Kansas.....	70,783	965,965	5,831	.60	160,705	114,293	274,998
WEST NORTH CENTRAL.....	1,222,163	19,599,004	119,774	.61	2,279,444	2,010,065	4,289,509
Delaware.....	13,788	168,425	1,012	.60	678	600	1,278
Maryland.....	68,537	800,468	3,695	.46	39,736	4,584	44,320
District of Columbia.....	37	2,778	0	-----	79,582	0	79,582
Virginia.....	30,225	334,255	1,374	.41	15,893	11,797	27,690
West Virginia.....	13,498	129,169	221	.17	17,139	1,271	18,410
North Carolina.....	6,788	115,548	95	.08	0	0	0
South Carolina.....	24,426	114,878	11	.01	14,666	0	14,666
Georgia.....	104,959	861,805	243	.03	145,142	5,227	150,369
Florida.....	26,107	501,379	789	.16	40,825	13,664	54,489
SOUTH ATLANTIC.....	288,365	3,028,705	7,440	.25	353,661	37,143	390,804

TABLE 5.—*Tuberculin testing under the Federal-State county program and the Jones-Connally Cattle Act showing only expenditures of funds provided under the Jones-Connally Cattle Act and subsequent acts, July 1934 to July 1, 1938—Continued*

State	Tests applied to—		Reactors	Percent reactors are of total tests applied to cattle	Expenditures		
	Herds	Cattle			Operating	Indemnity	Total operating and indemnity
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Percent</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Kentucky.....	14, 578	227, 985	341	. 15	0	86	86
Tennessee.....	86, 750	404, 170	535	. 13	118, 463	8, 991	127, 454
Alabama.....	191, 441	1, 067, 298	1, 566	. 15	206, 263	27, 756	234, 019
Mississippi.....	235, 457	1, 378, 618	1, 604	. 12	344, 055	35, 164	379, 219
Arkansas.....	219, 184	1, 174, 010	675	. 06	112, 517	10, 976	123, 493
Louisiana.....	152, 234	1, 656, 156	2, 771	. 17	214, 019	52, 842	266, 861
Oklahoma.....	264, 968	2, 817, 981	5, 142	. 18	397, 993	103, 933	501, 926
Texas.....	509, 214	4, 064, 123	1, 849	. 05	878, 905	22, 072	900, 977
SOUTH CENTRAL.....	1, 673, 826	12, 790, 341	14, 483	. 11	2, 272, 215	261, 820	2, 534, 035
Montana.....	29, 262	625, 826	667	. 11	131, 227	7, 542	138, 769
Idaho.....	11, 239	111, 285	274	. 25	5, 798	588	6, 386
Wyoming.....	19, 290	572, 424	1, 534	. 27	146, 087	17, 885	163, 972
Colorado.....	65, 543	1, 311, 324	9, 391	. 72	250, 101	166, 400	416, 501
New Mexico.....	23, 550	226, 001	426	. 19	58, 756	1, 247	60, 003
Arizona.....	22, 755	477, 787	1, 097	. 23	93, 588	23, 637	117, 225
Utah.....	27, 632	141, 967	789	. 56	9, 116	0	9, 116
Nevada.....	3, 787	86, 162	117	. 14	7, 670	0	7, 670
Washington.....	81, 190	803, 913	4, 755	. 59	92, 185	43, 154	135, 339
Oregon.....	48, 172	366, 046	1, 845	. 50	3, 283	19, 650	22, 933
California.....	223, 041	5, 109, 461	240, 849	4. 71	1, 009, 731	4, 385, 552	5, 395, 283
WESTERN.....	555, 461	9, 832, 196	261, 744	2. 66	1, 807, 542	4, 665, 655	6, 473, 197
Puerto Rico.....	61, 317	611, 273	3, 605	. 59	100, 218	86, 460	186, 678
Hawaii.....	1, 461	52, 902	269	. 51	0	0	0
Virgin Islands.....	424	11, 351	0	-----	1, 853	0	1, 853
Interstate.....	83, 435	939, 584	1, 541	. 16	8, 530	0	8, 530
Total.....	6, 348, 468	75, 838, 183	725, 287	. 96	7, 729, 453	11, 985, 304	19, 714, 759

TABLE 6.—*Summary of Bang's disease testing and summary of expenditures, July 1934 to July 1, 1938*

State	Tests applied to—		Reactors	Percent reactors are of total tests applied to cattle	Expenditures		
	Herds	Cattle			Operating	Indemnity	Total operating and indemnity
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Percent</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Maine.....	6, 685	105, 834	7, 115	6. 72	62, 394	208, 800	271, 194
New Hampshire.....	6, 665	93, 831	6, 330	6. 75	21, 300	194, 511	215, 811
Vermont.....	2, 247	70, 141	4, 347	6. 20	22, 146	126, 776	148, 922
Massachusetts.....	560	18, 752	1, 131	6. 03	2, 175	42, 000	44, 175
Rhode Island.....	298	11, 557	721	6. 24	97	19, 820	19, 917
Connecticut.....	1, 413	45, 818	2, 809	6. 13	9, 559	58, 652	68, 211
New York.....	13, 493	350, 696	22, 132	6. 31	149, 294	707, 367	856, 661
New Jersey.....	2, 195	143, 788	3, 944	2. 74	6, 567	127, 549	134, 116
Pennsylvania.....	70, 622	980, 056	49, 634	5. 06	252, 279	1, 431, 599	1, 683, 878
NORTH ATLANTIC.....	104, 178	1, 820, 473	98, 163	5. 39	525, 811	2, 947, 074	3, 472, 885
Ohio.....	74, 490	806, 008	61, 620	7. 65	289, 418	1, 733, 162	2, 022, 580
Indiana.....	48, 079	593, 253	41, 065	6. 92	239, 713	1, 100, 969	1, 340, 682
Illinois.....	25, 016	405, 205	40, 747	10. 06	191, 124	1, 097, 405	1, 288, 529
Michigan.....	68, 469	756, 554	36, 694	4. 85	252, 562	1, 002, 903	1, 255, 465
Wisconsin.....	173, 118	3, 241, 775	200, 772	6. 19	834, 712	5, 080, 410	5, 915, 122
EAST NORTH CENTRAL.....	389, 172	5, 820, 473	380, 898	6. 54	1, 807, 829	10, 014, 849	11, 822, 678

TABLE 6.—*Summary of Bang's disease testing and summary of expenditures, July 1934 to July 1, 1938—Continued*

State	Tests applied to—		Reactors	Percent reactors are of total tests applied to cattle	Expenditures		
	Herds	Cattle			Operating	Indemnity	Total operating and indemnity
	Number	Number	Number	Percent	Dollars	Dollars	Dollars
Minnesota.....	116,240	1,854,468	127,016	6.85	617,557	3,204,015	3,821,572
Iowa.....	37,315	655,437	74,892	11.43	269,081	1,986,662	2,255,743
Missouri.....	108,375	1,257,331	80,877	6.43	510,171	2,052,707	2,562,878
North Dakota.....	17,252	291,072	17,000	5.84	109,459	443,615	553,073
South Dakota.....	3,954	95,084	9,105	9.58	51,328	239,625	290,953
Nebraska.....	12,163	244,778	19,782	8.08	111,657	561,551	673,208
Kansas.....	14,459	401,269	44,193	11.01	170,560	1,232,103	1,402,663
WEST NORTH CENTRAL.....	309,758	4,799,439	372,865	7.77	1,839,813	9,720,278	11,560,091
Delaware.....	6,306	62,522	3,982	6.37	12,292	91,360	103,652
Maryland.....	26,819	254,136	15,390	6.06	148,098	437,078	585,176
District of Columbia.....	0	0	0	0	1,452,478	0	1,452,478
Virginia.....	233,758	1,248,473	33,805	2.71	534,784	894,739	1,429,523
West Virginia.....	58,365	381,430	10,333	2.71	159,896	255,726	415,622
North Carolina.....	49,425	387,250	13,597	3.51	69,683	360,224	429,907
South Carolina.....	12,513	197,094	6,464	3.28	102,250	151,671	253,921
Georgia.....	27,972	392,625	16,717	4.26	112,829	416,617	529,446
Florida.....	29,656	734,981	40,640	5.53	189,485	1,013,241	1,202,726
SOUTH ATLANTIC.....	444,814	3,658,511	140,928	3.85	2,781,795	3,620,656	6,402,451
Kentucky.....	49,349	521,183	32,996	6.33	225,649	855,629	1,081,278
Tennessee.....	33,933	499,073	34,674	6.95	192,695	963,105	1,155,800
Alabama.....	39,376	890,948	40,249	4.52	293,626	988,921	1,282,547
Mississippi.....	16,275	326,663	18,703	5.73	127,793	430,250	558,043
Arkansas.....	122,697	758,288	28,224	3.72	376,487	638,807	1,015,294
Louisiana.....	96,165	675,278	39,229	5.81	254,027	804,781	1,058,808
Oklahoma.....	78,969	1,563,571	103,893	6.64	486,794	2,447,159	2,933,953
Texas.....	20,743	1,051,639	66,055	6.28	240,170	1,658,360	1,898,530
SOUTH CENTRAL.....	457,507	6,286,643	364,023	5.79	2,197,241	8,878,012	10,934,253
Montana.....	16,672	364,582	22,497	6.17	104,675	580,632	685,307
Idaho.....	31,406	366,953	24,158	6.53	161,154	584,172	745,326
Wyoming.....	3,619	167,941	10,745	6.40	85,855	255,185	341,040
Colorado.....	1,570	68,249	3,426	5.02	13,501	95,854	109,355
New Mexico.....	11,758	164,075	5,744	3.50	96,108	133,751	229,859
Arizona.....	3,633	82,289	3,233	3.93	38,619	86,352	124,971
Utah.....	29,829	237,703	14,269	6.00	122,269	392,921	515,190
Nevada.....	4,032	79,919	7,452	9.32	46,040	155,629	201,669
Washington.....	88,437	871,270	55,521	6.37	387,419	1,401,714	1,789,133
Oregon.....	88,972	1,071,500	56,057	5.23	397,849	1,342,891	1,740,740
California.....	130	8,213	524	6.38	5,915	15,709	21,624
WESTERN.....	280,058	3,482,604	203,626	5.85	1,459,404	5,044,810	6,504,214
Puerto Rico.....	8	441	7	1.59	126	225	351
Hawaii.....	0	0	0	0	240	66	306
Total.....	1,985,495	25,850,999	1,560,510	6.04	10,612,259	40,134,970	50,747,229

¹ Includes general operating expenditures, amounting to \$1,219,314 over the 4-year period, which cannot be accurately allocated among the various States.

IX. PROGRAMS FOR SURPLUS REMOVAL AND EXPANSION OF MARKETS

Programs for the removal of surpluses and expansion of markets have centered about two major types of activities. These have been purchases of surplus commodities for distribution to State relief agencies, and the diversion of price-depressing surpluses into export channels or into new or byproduct uses. The first type of program has as its major objective the use of surpluses to relieve needy people. It seeks to bridge the gap between price-breaking surpluses and

human hunger. Both types of programs seek the enhancement of agricultural income. Both serve important immediate objectives in the improved market conditions they bring about.

The A. A. A. purchase programs are carried on by the Federal Surplus Commodities Corporation. By filling relief needs with farm surpluses, they have endeavored to effect a simple and direct approach to two vexing national problems. The approach is necessarily limited in scope and offers no final solution to either the surplus or the relief problem, but it has the advantage of attacking both problems with one simple answer.

The diversion programs have played a similar dual role by developing new outlets for excess commodities while at the same time improving grades and standards for the quantities shipped to the customary outlets.

OPERATIONS OF THE FEDERAL SURPLUS COMMODITIES CORPORATION

The Federal Surplus Commodities Corporation was chartered as a nonprofit membership corporation under the laws of Delaware, October 4, 1933, as the Federal Surplus Relief Corporation. On November 18, 1935, the name was changed to its present form and the Corporation was placed under the direction of the Department of Agriculture.

From November 18, 1935, to May 6, 1938, the Corporation spent approximately \$57,950,000 on purchase programs in connection with surplus agricultural products. Through these purchase programs it diverted about 56,400 carloads of such products from the normal channels of trade, and distributed 2,135,000,000 pounds of foodstuffs to persons who otherwise would not have been able to obtain them.

Before it was placed under the direction of the Department of Agriculture, the Corporation had been concerned with meeting relief needs, and only more or less incidentally with the farm end of the dual problem. Its first grants of funds were made under the law creating the Federal Emergency Relief Administration, May 12, 1933. It also distributed farm products acquired by the Secretary of Agriculture through the Agricultural Adjustment Administration and donated to the Corporation for its use. The Jones-Connally Cattle Act, approved April 7, 1934, authorized the appropriation of funds to enable the making of advances to the Federal Surplus Relief Corporation for the purchase of dairy and beef products for distribution and relief purposes.

Section 32 of Public, No. 320, 74th Congress, which also contained the amendments of 1935 to the Agricultural Adjustment Act, appropriated funds for each fiscal year equal to 30 percent of the customs receipts to the Secretary of Agriculture. Included among the purposes for which such funds might be used was the encouragement of domestic consumption of agricultural commodities or products by diverting them from the normal channels of trade. The Federal Surplus Commodities Corporation became one of the means by which surplus agricultural products could be purchased and donated to States for distribution to needy persons on relief.

Later amendments permitted the purchase of commodities, for the purposes enumerated in section 32, without requiring competitive

bids on goods bought by Government. These amendments also simplified the procedure of approving purchase programs, and authorized the allocation of funds to the Corporation so that it might make purchases direct instead of confining its activities to the relief distribution of commodities purchased through the Agricultural Adjustment Administration.

When the Corporation was placed under the direction of the Department of Agriculture in November 1935, a change in policy resulted. The objective of Corporation activities became to develop programs that would help agricultural groups faced with long-time or temporary surpluses, as well as to assist people on relief. The operation now had two important objectives. For agriculture, the purpose was to protect or increase farm income by removing burdensome surpluses of agricultural products from the regular market channels. For people on relief, the purpose was to give these commodities to persons who would otherwise go without, and thus encourage maximum utilization of the crop.

Since November 1935, about 79 percent of all expenditures were authorized under section 32 provisions. About 9 percent were authorized under the Jones-Connally Act (Public, No. 142, 74th Cong.); 7 percent were made from Federal Surplus Commodities Corporation funds; 5 percent from State funds. As used here, Corporation funds are residual balances from the financing of the activities of the Federal Surplus Relief Corporation by the Federal Emergency Relief Administration. State funds are the proceeds of the sale of commodities acquired during the drought programs of 1934 which were not suitable for relief distribution (principally wool and hides), and the funds currently derived from sales of containers which are in excess of requirements for maintaining intrastate distribution.

Table 7 shows the sources of funds and the distribution of their expenditure from November 18, 1935, to May 6, 1938.

TABLE 7.—*Distribution of expenditure for current programs by sources of funds, from Nov. 18, 1935, to May 6, 1938*

Source of funds	Nov. 18, 1935, to June 30, 1936		July 31, 1936, to June 30, 1937		July 31, 1937, to May 6, 1938		Total	
	<i>Thousand dollars</i>	<i>Percent</i>	<i>Thousand dollars</i>	<i>Percent</i>	<i>Thousand dollars</i>	<i>Percent</i>	<i>Thousand dollars</i>	<i>Percent</i>
Section 32.....	11,251	75	10,222	66	24,137	88	45,610	79
State.....	2,087	14	805	5	(¹)		2,899	5
Jones-Connally.....	1,542	10	3,464	23	-----	-----	5,006	9
Jones-Costigan.....	111	1	-----	-----	-----	-----	111	(¹)
Federal Surplus Com- modities Corporation.....	-----	-----	898	6	3,363	12	4,261	7
Total.....	14,992	100	15,389	100	27,569	100	57,950	100

¹ Less than 0.5 percent.

Tables 8, 9, and 10 show the commodities purchased, by expenditures and by quantities, for each of the three fiscal periods into which the history of the Corporation has been divided.

In the 7½ months ended June 30, 1936, among the 22 commodities purchased the principal one was wheat, of which 3,000,000 bushels were purchased at a cost to the Corporation, including

transportation, of approximately \$3,730,000. Raw cotton was second with purchases of about 50,000 bales at a total cost of \$2,800,000. The third item in importance was fresh apples, of which 2,648,000 bushels were purchased at a cost of approximately \$2,058,000. Prunes were fourth with purchases of 28,600,000 pounds at a cost of about \$1,339,000. Butter was fifth with purchases totaling 2,951,000 pounds at a cost of \$853,000. Other important commodities were cotton ticking, evaporated milk, cotton mats, cotton fabric, dried beans and peas, and onions.

TABLE 8.—*Federal Surplus Commodities Corporation expenditures, by commodities, Nov. 18, 1935, through June 30, 1936*

Commodity	Quantity purchased	Total expenditure ¹
Wheat.....bushels..	3, 025, 316	\$3, 729, 506. 69
Cotton (raw).....bales..	49, 997	2, 799, 750. 36
Apples (fresh).....bushels..	2, 648, 262	2, 058, 069. 76
Prunes (dried).....pounds..	28, 591, 500	1, 339, 173. 83
Butter.....do.....	2, 951, 303	852, 584. 36
Onions.....do.....	32, 533, 280	525, 839. 40
Cotton Ticking.....yards..	4, 750, 041	515, 790. 62
Milk (evaporated).....cases..	181, 600	422, 134. 00
Cotton Mats.....pieces..	89, 527	365, 463. 65
Cotton Fabric.....yards..	2, 870, 783	363, 189. 74
Peas (dried).....pounds..	17, 993, 175	360, 633. 29
Beans (dried).....do.....	15, 126, 220	340, 913. 81
Oranges.....boxes..	198, 312	299, 585. 36
Eggs (shell).....cases..	31, 472	198, 604. 25
Cheese.....pounds..	931, 948	143, 083. 26
Grapes.....do.....	3, 188, 376	134, 083. 48
Milk (dry skim).....do.....	1, 593, 563	124, 365. 10
Sugar (beet).....do.....	2, 500, 000	110, 951. 07
Cabbage.....do.....	8, 741, 659	108, 462. 27
Oats (rolled).....do.....	3, 000, 000	74, 701. 00
Do.....do.....	14, 520, 866	(?)
Oats (cereal enriched).....do.....	4, 200, 746	(?)
Grapefruit.....boxes..	31, 480	40, 430. 10
Carrots.....pounds..	2, 637, 400	26, 978. 80
Peas (fresh).....do.....	642, 405	24, 050. 17
Figs (dried).....do.....	600, 000	22, 500. 00
Cherries (canned).....10 cans..	30, 000	10, 000. 00
Turnips.....pounds..	182, 300	727. 20
Total.....		14, 991, 561. 77

¹ Including transportation.

² Exchange.

TABLE 9.—*Federal Surplus Commodities Corporation expenditures, by commodities, July 1, 1936, through June 30, 1937*

Commodity	Quantity purchased	Total expenditure ¹
Grapefruit.....boxes..	2, 126, 231	\$2, 547, 464. 77
Prunes (dried).....pounds..	42, 939, 475	2, 269, 846. 68
Eggs (shell).....cases..	287, 601	2, 136, 765. 88
Milk (dry skim).....pounds..	25, 190, 225	1, 842, 619. 86
Milk (evaporated).....cases..	451, 400	1, 094, 397. 68
Butter.....pounds..	3, 025, 074	941, 779. 20
Grapefruit Juice.....cases..	715, 070	894, 119. 67
Fish (frozen).....pounds..	12, 347, 737	725, 395. 26
Potatoes (white).....bushels..	960, 556	677, 369. 47
Pears (fresh).....boxes..	267, 797	353, 659. 71
Onions.....pounds..	15, 217, 037	254, 106. 34
Peaches (dried).....do.....	2, 940, 000	251, 269. 20
Oat cereal (enriched).....do.....	5, 634, 902	187, 193. 49
Peas (dried).....do.....	6, 599, 470	158, 094. 82
Walnuts (English).....do.....	1, 013, 000	139, 681. 91
Syrup (cane).....gallons..	307, 385	113, 951. 18
Oats (rolled).....pounds..	3, 633, 300	112, 515. 89
Rice (milled).....do.....	3, 999, 980	101, 872. 72
Cattle.....head.....	3, 663	99, 191. 46

¹ Including transportation.

TABLE 9.—*Federal Surplus Commodities Corporation expenditures, by commodities, July 1, 1936, through June 30, 1937—Continued*

Commodity	Quantity purchased	Total expenditure ¹
Cauliflower.....crates..	78, 670	79, 048. 40
Celery.....do.....	68, 980	62, 906. 20
Apples (dried).....pounds..	750, 000	60, 000. 00
Peas (fresh).....do.....	1, 911, 209	54, 091. 74
Sheep.....head.....	14, 169	43, 496. 23
Beans (dried).....pounds..	1, 300, 637	40, 041. 78
Hogs.....head.....	1, 573	37, 283. 54
Cabbage.....pounds..	8, 585, 560	28, 971. 92
Cheese.....do.....	138, 438	24, 697. 55
Wheat (for flour).....bushels..	14, 181	20, 596. 34
Apples (fresh).....do.....	14, 330	9, 518. 61
Figs (dried).....pounds..	209, 800	8, 831. 75
Turnips (fresh).....do.....	1, 388, 365	6, 941. 67
Cotton Fabric.....yards..	57, 089	6, 835. 63
Beans (fresh green).....pounds..	72, 223	1, 223. 54
Tomatoes (fresh).....do.....	250, 844	1, 195. 62
Beets.....do.....	146, 525	810. 74
Chard (Swiss).....do.....	53, 425	258. 07
Carrots.....do.....	35, 190	257. 31
Spinach.....do.....	32, 358	194. 16
Corn (fresh).....do.....	52, 560	175. 50
Honey.....do.....	2, 940	147. 00
Syrup (Sorghum).....gallons..	200	100. 00
Total.....		15, 388, 918. 54

¹ Including transportation.TABLE 10.—*Federal Surplus Commodities Corporation expenditures, by commodities, July 1, 1937, to May 6, 1938*

Commodity	Quantity purchased	Total expenditure ¹
Apples (fresh).....bushels..	5, 627, 637	\$4, 472, 203. 54
Potatoes (white).....do.....	4, 279, 825	2, 877, 039. 39
Butter.....pounds..	9, 202, 268	2, 618, 972. 26
Oranges.....boxes..	1, 661, 314	2, 266, 043. 30
Prunes (dried).....pounds..	45, 105, 650	2, 205, 995. 81
Rice (milled).....do.....	72, 630, 000	2, 005, 539. 50
Beans (dried).....do.....	53, 140, 000	1, 878, 765. 00
Eggs (shell).....cases..	270, 164	1, 724, 809. 36
Peas (canned).....do.....	860, 212	1, 513, 103. 48
Apples (dried).....pounds..	14, 547, 500	1, 325, 333. 55
Cottonseed Oil (short.).....do.....	8, 704, 200	790, 654. 89
Milk (fluid).....quarts..	8, 548, 176	602, 646. 43
Milk (dry skim).....pounds..	8, 642, 250	520, 864. 80
Pears (fresh).....boxes..	318, 162	483, 462. 05
Grapes.....pounds..	15, 830, 000	329, 538. 66
Celery.....crates..	184, 475	323, 772. 50
Apricots (dried).....pounds..	3, 590, 000	286, 970. 73
Potatoes (sweet).....bushels..	482, 536	239, 075. 97
Cabbage.....pounds..	18, 952, 642	237, 431. 91
Grapefruit.....boxes..	211, 902	200, 817. 58
Peaches (dried).....pounds..	2, 534, 000	194, 480. 00
Peas (dried).....do.....	6, 000, 000	128, 260. 00
Tomatoes (canned).....cases..	50, 000	102, 151. 95
Potato Flour.....pounds..	1, 761, 720	84, 252. 60
Cotton Fabric.....yards..	655, 997	67, 090. 94
Onions.....pounds..	3, 000, 000	47, 510. 27
Potato Starch.....do.....	800, 000	39, 870. 00
Watermelons.....melons..	13, 865	598. 69
Beans (fresh green).....pounds..	44, 970	562. 12
Walnuts (English).....do.....	1, 000	115. 00
Filberts.....do.....	500	65. 00
Total.....		27, 568, 797. 28

¹ Including transportation.

In the fiscal year ended June 30, 1937, purchases of 39 different commodities were made. Prunes were at the top of the list with an expenditure of \$2,270,000 for 42,939,000 pounds. Eggs were second with an expenditures of \$2,137,000 for 288,000 cases. Dry skim milk was third with purchases of 25,190,000 pounds at a commodity expenditure of \$1,843,000. Other important commodities included grapefruit and grapefruit juice, evaporated milk, butter, frozen fish, white potatoes, dried peaches, fresh pears, and a miscellaneous list of other fruits and vegetables.

Between July 1, 1937, and May 6, 1938, 31 different commodities were purchased. Apples were the most important item. Expenditures, excluding costs of transportation, totaled \$4,573,000 for fresh and dried apples, equivalent to a total of 8,013,000 bushels in the fresh form. Potatoes were second with purchases of about 4,300,000 bushels. Butter was third with commodity expenditures of \$2,598,000 for 9,202,000 pounds. About 1,700,000 boxes of oranges were purchased at a cost of \$2,300,000. Prunes were fifth with a total expenditure of \$2,206,000 for 45,106,000 pounds. Rice purchases were sixth in importance, accounting for 72,630,000 pounds at a cost of \$2,006,000. Eggs were seventh, with purchases of 270,164 cases at a cost of \$1,725,000. Other important commodities were dried beans, canned peas, cottonseed oil, milk in both fluid and dry skim forms, fresh pears, dried apricots, and grapes. Purchases of each of these commodities involved commodity expenditure of more than \$200,000, ranging upward to \$1,600,000.

The purchases have not been a large part of the total supplies marketed. In most instances they have been from 1 to 5 percent of the total quantities available. They have been made when supplies were at or near record levels and grower returns were, or threatened to be, relatively low.

The Federal Surplus Commodities Corporation does not distribute the products it purchases directly to persons on relief, but makes them available to State welfare agencies which carry out the distribution under the supervision of the Corporation. The principal basis for the distribution of these commodities is the number of persons eligible for relief in the State concerned. Perishability of the commodities, transportation costs, and the desire to encourage new consumption of various products are other factors taken into account in the determination of the distribution.

From November 18, 1935, through June 30, 1936, a total of 591,000,000 pounds of foodstuffs was distributed, with a commercial value of approximately \$41,000,000. In the fiscal year ended June 30, 1937, the total was approximately 555,000,000 pounds with a retail value of about \$38,000,000. From July 1, 1937, to May 6, 1938, the volume of foodstuffs distributed increased to about 989,000,000 pounds, with a commercial value of about \$67,300,000.

Purchase methods and price policy.—Since November 1935, a number of purchasing methods have been employed by the Corporation. For some commodities, especially processed commodities, the practice of calling for formal bids has been used. Under this arrangement offers are advertised, bids are submitted by those interested, the bids are then opened publicly, and awards are made to the lowest

bidder. A less formal bid method has sometimes been used, in which it may be stipulated that growers will be given first preference in any bids submitted, or that acceptance will be based not only on the lowest price but also on the price which the bidding processors agreed to pay growers.

Another method quite generally used is called the fixed price. By this method the Corporation buys varying quantities from week to week at a specified price that is related to prevailing market conditions. The quantity is determined by apparent market needs and the available funds. The price may be kept unchanged throughout the program, or adjusted from time to time.

A variation of this method is the negotiated price. In this procedure the Corporation offers a price agreed upon by negotiation with the industry at the same time that the maximum quantity to be purchased is determined. Frequently the industry is permitted to allocate the amounts that will be supplied by the participating industry groups at the specified prices.

The offer-and-acceptance method has been an innovation of the current year. In this purchase method the Corporation invites individuals to make offers to sell designated agricultural commodities to the Corporation. Those submitting offers indicate the price at which they will sell commodities of the quality, size, or other specifications set forth by the Corporation. Offers may be accepted from time to time on a regular basis, i. e., once, twice, or whenever notice is given to the industry. The offers are then reviewed. Acceptance is based in part on the price, the prevailing market prices, the nature of the industry market problem, and from a determination of the maximum quantity that is to be taken at a particular time.

Commodities have also been bought in terminal markets, i. e., in large receiving centers. For the most part this has been accomplished through purchases on exchanges. The Corporation representatives either act directly or through one of the regular marketing agencies to buy on a recognized exchange in exactly the same way as any other participating commercial factor.

Table 11 shows changes in price methods used for some of the principal commodities from November 1935 to May 1938. For dried prunes the negotiated price has been used most generally. For dried peas and beans the fixed price was used in the first two programs; in the current season the offer-and-acceptance method was used. For the milled rice program the offer-and-acceptance method was used. For canned grapefruit juice the negotiated price was used. Canned peas were purchased on the bid basis.

TABLE 11.—Changes in price methods used by the Federal Surplus Commodities Corporation for some principal commodities, Nov. 1935 to May 1938

Commodities	Nov. 1936 to June 1936	July 1936 to June 1937	July 1937 to May 1938
Nonperishable:¹			
Dried prunes.....	Bid, negotiated.....	Bid, negotiated.....	Negotiated price.
Dried peas and beans....	Fixed.....	Fixed.....	Fixed, offer-and-acceptance.
Milled rice.....	.....	.....	Offer-and-acceptance.
Canned grapefruit juice.....	.....	Negotiated.....	Negotiated.
Canned peas.....	.....	.....	Bid.
Semiperishable:²			
Apples.....	Fixed.....	.....	Fixed, offer-and-acceptance.
Fresh pears.....	.....	Fixed.....	Fixed, terminal purchase.
Potatoes.....	.....	Fixed.....	Fixed, offer-and-acceptance.
Citrus fruits.....	Fixed.....	Fixed.....	Offer-and-acceptance, negotiated.
Perishable:³			
Cabbage.....	.....	.....	Fixed.
Grapes.....	.....	.....	Fixed.
Butter.....	Bid, exchange.....	Bid, exchange.....	Exchange, offer-and-acceptance.
Eggs.....	Exchange, negotiated.....	Exchange, negotiated.....	Exchange, negotiated, offer-and-acceptance.
Dry skim milk.....	Bid.....	Bid.....	Bid.

¹ The classification used is as follows: Nonperishable commodities are those able to be stored under ordinary conditions for a year or more.

² Semiperishable commodities are those that can be kept a month or more after harvest.

³ Perishable commodities are those that cannot ordinarily be kept over a week without refrigeration.

For such semiperishables as apples, potatoes, and citrus fruits, both the fixed price and the offer-and-acceptance methods have been used. In 1936, apples were purchased at a fixed price. In the current apple program both the fixed-price and the offer-and-acceptance methods were used. Potatoes were purchased under the fixed-price method in the fiscal year ended June 30, 1937, and under both the fixed-price and the offer-and-acceptance methods during the current year. Up to June 1937 the fixed-price method was used in the purchase of citrus. In the current fiscal year the negotiated-price and acceptance methods have been utilized.

For perishable fruits and vegetables the most common practice has been to use the fixed-price method. This was applied in the case of cabbage, grapes, and other vegetables. Frequently, a condition was added stipulating the proportion of the unit price that shall be received by growers, handlers, and others.

For butter programs, bids were used primarily in the period from November 1935 to June 1936, although exchange purchases were also made. During the following year exchange purchases predominated although bids also were used. In the current fiscal year exchange purchases have predominated, with the offer-and-acceptance method also used in the Western Region.

Egg purchases have been carried out by purchases on the exchange, through use of the negotiated-price method, and during the current fiscal year by the offer-and-acceptance method. Dry skim milk purchases have all been made on the bid basis.

With the exception of eggs, butter, dry skim milk, and some relatively small purchases of potatoes and winter pears, purchases have been made at the shipping point, usually from dealers, though frequently from growers as well.

DIVERSION AND EXPORT PROGRAMS

Like the purchase programs for distribution of surpluses among needy persons on relief, the diversion and export programs are authorized by the amended section 32 of Public, No. 320. It may be well to indicate more closely the nature of section 32. Under its provisions, 30 percent of the gross customs receipts for each fiscal year must be kept in a separate fund and may be used by the Secretary of Agriculture only to

(1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption;

(2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce; and

(3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

Programs have been carried out under each of these three clauses. In the programs for special crops, emphasis has been placed on those operating under clauses (1) and (2), which relate to the encouragement of export and of increased domestic consumption through diversion into new or byproduct uses. In actual operation the purposes of clauses (1) and (2) tend to overlap, and in a number of cases the objectives of both have been included in one commodity program.

There is no exact formula for determining the amount of the benefit or indemnity payments under either the export or diversion programs because of the varying conditions found in connection with each farm product. The Administration has attempted, however, to make such payment to the person exporting or diverting the product as will, to some extent, make up the loss that would be incurred in the exportation, manufacture of byproducts, or other use outside of the normal trade, as compared with the value of the same product in the regular market.

The principal gain to producers is through the support given to the price of the larger portion of their crop which is sold through regular market channels. The purpose of the programs is to divert only surpluses which operate to depress too sharply the price of the regularly marketed portion of the crop. Therefore payments under diversion and export programs have not necessarily been fixed at a level which offers a profit on the surplus itself. Producers are expected to be willing, except in special cases, to accept some sacrifice on their returns from the surplus, in view of the enhancement of their returns from the much greater portion of their crops moving in regular channels.

At the time the first programs were initiated it was not possible, except in a few cases, for the industries to put into effect any programs which would supplement the assistance given by the A. A. A. under section 32. But in the past year or so a strong attempt has been made to encourage the various industries, which asked for help, to develop plans of their own either through marketing agreements or other plans, sometimes under State laws, for the control of their

products, so as to make more effective the assistance granted by the A. A. A.

The export programs.—Encouragement of exportation under clause (1) of the section 32 provisions may have one or more of the following objectives:

(a) The relief of a surplus situation in the United States where an export benefit or indemnity payment is necessary to enable the exporters to compete or to increase the quantities exported.

(b) The development of new world markets for United States products which are not known or in which additional volume of trade or new markets can be developed.

(c) The recovery of markets which were lost through unusual world trade conditions.

Typical of the export programs developed under (a) above are the export phases of the combined export-diversion programs undertaken for California standard dried prunes. Plans for these programs were initiated and proposed by representatives of growers and handlers of prunes in the Pacific Coast States and covered prunes grown in the States of California, Oregon, and Washington. During the crop year 1934-35 growers and packers had operated a pool for the purpose of improving the marketing conditions of prunes. Several thousand tons of substandard grades were held by the pool.

The export programs undertaken for pecans and pecan meats are illustrative of programs developed in an attempt to open new world markets. The first of these programs was announced on April 23, 1936. It provided for a benefit payment of 5 cents per pound on pecans of the 1935 crop exported and resulted in the exportation of 788,789 pounds at a cost of \$39,439.

The export programs for exports of flour made from Pacific Northwest wheat represent a type of program undertaken, at least in part, for the recovery of markets lost through unusual world trade conditions. The first of these programs was approved February 28, 1936, for exports to the Philippines. The rate of the indemnity was fixed in accordance with a formula which took into consideration the market prices of wheat and flour in the Pacific Northwest and the export prices to the Philippines. The indemnity payment averaged 82.2 cents per barrel of flour which is equivalent to about 18.5 cents per bushel of wheat. The total quantity on which the indemnity was to be paid was limited to 65 percent of the estimated total imports of flour into the Philippines for the period during which the program was in effect.

This program was designed to improve the situation in the Pacific Northwest where the geographical location of the wheat and the fact that the wheat raised was largely of the soft types caused the prices for such wheat to be relatively lower than the general wheat price in the United States.

Another objective of the plan was to enable United States exporters to regain their business in the established brands of flour which were well known in the Philippines. It was believed that if these brands failed to appear on the market for any considerable period the result of many years' work in building up the demand would be lost. The

world wheat situation was such that it was not possible to manufacture flour from Pacific Northwest wheat purchased at regular prices and sell it in the Philippines in competition with wheat and flour from other countries.

Under this plan, 193,931 barrels of flour were exported and the indemnity paid amounted to approximately \$159,000.

On June 29, 1936, a plan similar to the foregoing was made effective, under which 426,219 barrels of flour were exported to the Philippines and the total indemnity paid by the Administration was approximately \$232,000. The rate of payment averaged 54.4 cents per barrel of flour, equal to about 12.2 cents per bushel of wheat.

On July 1, 1937, a third program was approved. This program covered the period from July 1, 1937, to June 30, 1938.

Export programs embodying principles similar to those outlined above for prunes, pecans, and Pacific Northwest wheat, have also been undertaken for walnuts, tobacco, and fall and winter pears.

The diversion programs.—Diversion programs which are authorized under clause (2) of section 32 are those wherein products are diverted from the normal channels of trade and commerce into other channels or uses and can be divided in a general way into the following classifications:

(a) Diversion into byproducts or uses into which the particular product or a particular quality of such product does not usually go.

(b) The diversion of products into special areas where such products are not usually sold.

(c) The diversion of substandard grades to prevent their use in cheapening the pack of standard grades.

An illustration of the programs developed under (a) above is found in the diversion program for cotton. On March 4, 1936, a plan was approved for the diversion of unmanufactured cotton into the manufacture of fabric for use on bituminous surfaced roads and for cotton mats for curing concrete. The object of this program was to distribute these materials to State highway departments for use in road-building programs in order that the experimental use of these products would develop new and permanent uses for them. Products covered by this program were distributed to various State highway departments upon their application. Contracts for manufacture were made through bids obtained from manufacturers to supply the material according to the approved specifications. The quantity of cotton used in manufacturing the fabric was 8,194 bales and the cost of the program was about \$734,000.

On August 21, 1937, another plan was approved for uses similar to, and in some respects a continuation of, those in the plan of March 19, 1937, but with the later addition of cotton material for making bags for packaging wool and other products. Under this program 1,534,925 square yards of cotton fabric were used requiring 1,394 bales of cotton. The cost of the program was approximately \$135,331. The manufactured material was used in about 200 projects located in 42 states. The principal uses were for ditch lining, road work, protective covering for trees and vegetables, covering for cotton bales and bags for agricultural or horticultural products.

The best illustration of diversion programs undertaken to increase sales in special areas is found in the programs developed for fall and winter pears. For a number of years before 1936 these varieties of pears had been selling at relatively low prices, and a large production was indicated for the 1936 crop.

Upon application from the California Pear League, representing a majority of the producers of pears in that State, the California Pear Diversion Plan was approved August 4, 1936, with provisions for indemnity payments on exports to specified foreign countries and on pears diverted from the normal channels of trade into specified places in the United States. Winter pears were relatively unknown in a block of 18 States in the central and southern parts of the United States and payments were to be made on shipments into those States. The program was operated through the California Pear League.

The rate of the indemnity payment was determined by the difference between the average sales in normal domestic markets and the net proceeds of the sales for export or diversion, with a limit of 50 cents per box average on all pears exported or diverted.

On November 21, 1936, another plan covering the 1936 crop was approved for the purpose of giving the same benefits to pears produced in Washington and Oregon. This plan was similar to the California plan, and the Oregon-Washington Pear League was formed to handle the operations. The total quantity of pears diverted under both plans was 73,148 boxes, and the indemnity payments amounted to a total of \$35,444.

Because of indicated high production for the 1937 crop a program covering that crop was approved October 9, 1937. The California League combined with the Oregon-Washington League in one corporation entitled the Oregon-Washington-California Pear League, Inc., which operated the program for all three States.

The program was simplified by providing for a flat benefit payment on all pears exported or diverted. In line with the experience in the previous plan this rate was fixed at 50 cents per box. The total quantity exported and diverted was approximately 75,000 boxes, of which about half were exported. The benefit payments amounted to about \$38,000.

In both the 1936 and 1937 crop years these programs, together with purchase programs, had the effect of increasing the prices which had started at a low point earlier in the season, to a relatively fair price toward the end of the season, although the average prices were still too low to put the industry on a satisfactory basis.

The programs undertaken for dried figs are representative of a number of programs for the diversion of substandard grades to prevent their use in cheapening the pack of standard grades. The dried fig industry exists almost wholly in the State of California. It encounters production and handling difficulties peculiar to itself. Because of susceptibility to insects and disease damage, a large proportion of figs is defective. Package figs for direct consumption shipped in interstate commerce are covered by the Food and Drugs Act and are of high quality. The lower grade figs, however, after cutting and selecting, are used in the manufacture of fig paste. Such use provides a price advantage to handlers willing to use the lowest grades and tends to reduce the price for standard quality figs.

For this reason, the industry, through the California Fig Institute, applied for a program under section 32 for the purpose of diverting from the normal trade, figs which contain too many defects to permit their use under reasonable preparation for standard pack figs or fig paste.

The first diversion program was approved on August 14, 1936, and provided for indemnity payments for the difference by which the purchase price of the figs exceeded the sales price for diversion purposes plus the expenses in handling the figs. The purchase and sales prices were fixed by the Secretary, the former according to the grade of the figs and the latter in accordance with the diversion use. The diversions authorized were to commercial alcohol, brandy, feed, and syrup. A special nonprofit corporation, the Pacific Dried Fruit Products Association, was formed to handle this program, making purchases of substandard figs from the growers and sales into the diversion outlets. Most of the substandard figs were diverted into livestock feeds.

Under the first program, a total of 2,768 tons were diverted at a total cost of \$75,025.

For the 1937 crop the industry established a prorate under California laws which made it mandatory for growers to deposit, under the control of the Prorate Commission, substandard figs of the grades which had been diverted in the previous years.

In order to supplement the efforts of the industry to so improve its business, a second plan was approved on September 24, 1937. This was similar to the previous plan except that it was simplified by establishing a schedule of flat benefit payments according to the variety and grade of the figs diverted. These rates were fixed in accordance with the experience in the previous crop, but were reduced somewhat under the costs of the previous program in order to encourage the industry to carry a larger share of the cost of improving its marketing conditions.

This program was also handled by the Pacific Dried Fruit Products Association, and the total quantity of figs acquired for diversion was about 4,170 tons, on which the cost to the Government is estimated to be about \$85,000. The benefit payments ranged from \$8 to \$30 per ton.

The fig industry reported that these programs had caused improvement in prices which on the whole of the crops amounted to many times the amount expended by the Government under these programs and that the marketing condition had been improved by the elimination of the substandard figs.

Diversion programs similar to those summarized above for cotton, pears, and dried figs have also been undertaken for peanuts, raisins, dates, filberts, walnuts, oranges, apples, hops, sweetpotatoes, Irish potatoes, tobacco, and Puerto Rican coffee.

Programs to reestablish purchasing power.—Two programs have been developed under the amended clause (3) of the section 32 provisions which reads: "(3) Reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption." Both of these programs have been undertaken in connection with fiber flax.

The United States has always imported most of its fiber flax but a small industry has been established in Oregon. The industry made arrangements with the Works Progress Administration for the erection of three processing plants in an attempt to develop this industry into a commercial business. In 1936 prices had reached a relatively low level and the industry applied for assistance from section 32 funds under clause (3) of the act. A program was approved on June 20, 1936, which provided for payments at the rate of \$5 per ton of field-cured fiber flax straw suitable for the production of spinning fiber. It was determined that this payment would, in a large measure, reestablish the purchasing power of such domestically produced flax straw. Payments under this plan were limited to a quantity which was determined to be the normal production for domestic consumption in 1936.

Under this program payments were made on a total of 5,163 tons at a total cost of \$25,297. The plan was based on applications of growers who were required to submit evidence as to the amount of flax straw produced and sold by them for the production of fiber.

A second plan for fiber flax was approved on April 14, 1937. This plan was similar to the previous one except that in accordance with changed marketing conditions it was determined that a payment of \$7.50 per ton would be the proper rate for carrying out the provisions of the act. Under the second program payments were made on 4,398 tons in a total amount of \$32,985.

EFFECTIVENESS OF THE PROGRAMS

In a general way the plans which have been operated under section 32 have been successful, at least to some extent, in accomplishing the objectives of the programs, and in a number of the programs the results have been extremely satisfactory. Some of the principal benefits to agriculture were the establishment of new markets, improvement of prices, and the elimination of the poorest grade from distribution to consumers.

However, because of the many factors which enter into the marketing and distributing of crops, the programs initiated under section 32 cannot permanently solve the difficulties of the agricultural producers. For this reason, plans of this kind should be considered as largely temporary. In some cases assistance is justified only for a very short period because of some unusual emergency, and in other cases it may be necessary to give assistance over a period of years in order to give the industry an opportunity to make adjustments which will permit fair returns to the producers.

In some programs the objectives are clearly evident. In the case of pecan exports, for instance, it was found possible to develop a market where this article was little known or used. In other export programs there is likewise the possibility of developing new markets. On the whole, however, the benefit payments are used for the purpose of reducing prices to a point which will permit competition with the same or similar articles which are selling in the world markets at prices below domestic prices and sometimes even below domestic cost of production.

In these cases, it is necessary to consider carefully the probable effect on foreign trade and to avoid situations that might disturb present trade relations or result in retaliation on the part of one or more foreign countries. With the aid of export benefit payments, it is possible to undersell world producers, but to do so without considering the probable adverse effects would eventually result in a loss to all agriculture rather than a gain.

In connection with diversion programs the ideal objective is to find a diversion which will become a permanent use, and in some programs such as cotton cloth for roads and other agricultural uses, sweet potatoes into starch, and other new diversions, this has been accomplished.

There are, however, many diversions which are for the purpose of assisting an industry to develop further a byproduct which is now being produced. An example of this type is found in the diversion of walnuts in the shell into shelled walnuts. Sales of shelled nuts are now an important part of walnut distribution and must in due course be considered as one of the normal outlets.

Other diversion plans, such as that for peanuts into oil, are purely temporary and are basically for the purpose of removing a surplus from the normal markets. Although low-grade peanuts are normally converted into peanut oil, it is not likely that the grade of peanuts which can be distributed for consumption as nuts will be turned into oil without a payment of some benefit for doing so.

Producers of agricultural products who are now receiving help under section 32 must eventually develop permanent plans to take care of their marketing difficulties either by avoiding overproduction or by developing markets for the surplus products which, together with the normal sales, will produce a reasonable return on the whole crop.

Inasmuch as the funds available under section 32 are insufficient to take care of all cases where the income of the producers is below normal, it is necessary to give assistance to those industries which are in the most difficult position. Likewise, in order to encourage the agricultural industries to do something for themselves through such means as marketing agreements, State regulations, or voluntary regulation, it is desirable that justified assistance be given whenever possible to such industries as are already making use of the means available.

The situations in connection with the various farm products differ considerably from year to year, and the kind of assistance which will be useful depends upon the conditions peculiar to the crop in question. Moreover, the two general types of crops, the tree and perennial vine crops on the one hand and the annual crops on the other, introduce other difficulties. In the tree crops there are a number of cases of overproduction which are the result of heavy plantings several years ago when prices were high, and in such cases the plans which are formulated must be such as will not encourage additional plantings but will aid the industry in gradually reducing its producing acreage to a point where production will about meet the needs for consumption. On the other hand there are tree crops which produce an abnormal crop in one particular year, and in such cases the assistance given should be purely seasonal for the purpose of assisting the industry to dispose of its temporary surplus.

The problem in connection with the annual crops is just as difficult, for when plans under section 32 raise the income to a point which is fairly satisfactory the problem becomes one of seeing that producers do not continue to produce heavily so as to bring about a continuing surplus. It is, therefore, necessary that the assistance which is given in all of these cases be kept down to a level which will save the producer from disastrous results but which will not cause sufficiently high returns to encourage the continuous production of surplus crops every year.

X. NEW ACT AND NEW PROGRAM, 1938

While obviously a detailed account of operation of the Agricultural Adjustment Administration through 1938 is not possible in this report, still a brief review is needed of the swift and significant developments occurring up to the close of the fiscal year on June 30.

The outstanding event of the year was the enactment on February 16 of the Agricultural Adjustment Act of 1938.

This act wrote into law the basic new farm legislation which farmers had long been expecting. Ever since the United States Supreme Court in its *Hoosac Mills* decision of January 6, 1936, had declared unconstitutional the processing tax and production-adjustment provisions of the original Agricultural Adjustment Act of 1933, the farmers had been looking forward to enactment of new general farm legislation.

The new farm act sought to assist in building the foundations of a long-time policy for American agriculture that would protect farm income and safeguard soil resources.

The new act took advantage of the experiences of the drought years and wrote into law a plan for an ever-normal granary for food and feed, with controls of excess supplies and use of the surpluses of big crop years to offset the shortages of small crop years. It took advantage of the experience in administration of the 1936 and 1937 Agricultural Conservation Programs. The act amended significantly the Soil Conservation and Domestic Allotment Act, and provided new legislation that in all probability will have significant effects upon farm programs for a long time to come. An account of this legislation, supplementing the review already given in chapter 2, is therefore a natural prelude to the brief discussion that is possible in this report of the agricultural conservation programs of 1938.

THE REASONS FOR THE NEW ACT

The shaping of the new farm act was in the foreground during all the time that the 1938 Agricultural Conservation Program was being formulated. In fact, the forces that finally brought the new act into being had been in motion even before the *Hoosac Mills* decision of the Supreme Court. It will be remembered that in his public statement of October 25, 1935, President Roosevelt had announced the intention of his Administration to develop out of current agricultural programs a long-time farm policy, and had described the essential elements such a policy should contain. Thus by the fall of 1935, the groundwork had been laid for action, legislative as well

as administrative, that would round out and perfect the national farm policy. While it is true that this was the period of mounting legal warfare in the courts by the meat packers, textile and flour millers, and other processors against the agricultural adjustment program, any supposition that a court decision favorable to the processors would bring an end to the movement for a strong and enduring national farm policy was out of line with the realities. The movement to establish that farm policy was well under way when the Hoosac Mills decision was handed down by the Supreme Court. The effect of the decision was to add impetus to the movement.

The need for more comprehensive legislation.—One result of the decision was the immediate enactment, as has already been related in chapter 2, of the Soil Conservation and Domestic Allotment Act to carry on the program in 1936 and 1937. But another result was an increasing demand from farmers and farm leaders for ultimate enactment of more comprehensive legislation. In fact, the recommendations of the national conference of farm leaders which was called by Secretary Wallace to meet in Washington soon after the Hoosac Mills decision, to consider the situation created by the decision, had showed how strongly farmers then hoped that an emergency measure would be followed by legislation of a more general and permanent type.

The plans for the 1938 Agricultural Conservation Program had to go forward simultaneously with the hammering out in the law-making processes, which were in motion before the close of the regular session of Congress in the summer of 1937, of the central provisions of the new farm act.

The accumulation of surpluses.—The uncertainty regarding the form that important provisions of the new farm act would finally take was, however, only one of two factors that bulked large among the conditions that had to be reckoned with in the construction of the conservation program of 1938.

The other factor—which also spurred the demand for a new farm act—was the return in 1937 of normal growing conditions in this country. With the reappearance of normal weather after the droughts of 1934 and 1936, and the production of normal or larger than normal crops in 1937, the forces that had led to the enactment of the original Agricultural Adjustment Act reasserted themselves promptly and vigorously. American farmers again began to feel the results of losses of foreign markets for their export crops—losses resulting from the transition of the United States during the World War from a debtor to a creditor Nation, and from the consequent lack of ability of foreign nations to buy our surpluses.

When surpluses began to accumulate again as the combined result of the continuing lack of foreign markets and the return of normal weather, farm prices began to decline. Price losses were felt less in some export crops than in others—for example, prices of the 1937 wheat crop held up much better than cotton prices, because of the short world crop of wheat and the record crop of American cotton that year—but the downward farm price movement beginning in 1937 and extending into 1938 was general, and its consequences were important. Secretary Wallace has said that half of the economic problem of agriculture is in the cities and half of the economic problem of the cities

is on the farm. The lower prices received by producers of the export crops in marketing seasons of 1937 and 1938 tended to reduce their buying power for the products of city factories. The consequent increase in factory unemployment was no doubt one factor in the general business recession that developed in the fall of 1937. The buying power of cities for the products of the farm was in turn diminished, and this decline in consumer-buying ability hurt especially the producers of milk, meat, vegetables, and other products which are absorbed primarily by the domestic market. In this way, the situation that at first injured the growers of wheat, cotton, pork, and other export crops, gradually began also to result in smaller returns for the dairymen, the cattle growers, and fruit and vegetable producers.

The rising unemployment.—These effects, while cumulative, might not have been so severe in themselves had they not been made more grave by developments at the city end of the farm problem.

A general movement developed among large-scale manufacturing industries to reduce inventories, and this resulted in cutting down employment. The loss of jobs by city workers not only reduced still more the power of city consumers to pay fair prices for farm products but also tended to reduce the supplies of things the farmer had to buy, while there was a superabundance of commodities that the farmers had to sell. The effect of this curtailment of city employment and city production was to hold up prices of industrial commodities while farm prices were falling and in this way to lower the exchange value or real value of farm products. This created new economic disadvantages for the farmer.

All sides of this whole situation—the falling farm prices, the reappearance of injuries to agriculture resulting from loss of markets abroad and accumulation of surpluses at home, and the evidence of the effects on agriculture of the practice of industrial production control—all of these factors made up the background of the 1938 farm program.

The decline in farm prices reached a point where estimates of farm cash income for the year were reduced to \$7,500,000,000. This was \$1,100,000,000 less than the estimated farm cash income of 1937, but still about \$3,000,000,000 above the farm cash income for 1932.

While far different in degree from the disastrous conditions of 1932, the situation was developing similarities in kind to that of the depression. Again as in 1932 the farmers had produced a superabundance of food. But with surpluses piling up, breadlines instead of shortening were lengthening, unemployment was growing, and once more it was being proved that when farm surpluses injure farm buying power they mean not less but more hunger in the cities. Once more, as in 1933, the Federal Government moved to meet the situation with an employment program, and as it was launched conditions began to improve. That did not come, however, until after the farm act had finally been enacted.

The situation that was developing for the farmers in the fall of 1937 while farm prices were slumping and the recession was getting under way makes entirely clear the reason for their insistent demands for legislation that would restore to farmers in some form the protection which the Hoosac Mills decision had taken from them.

While the declining farm prices increased the prospects that fundamental farm problems would win recognition in a new farm act, the

conditions did not remove uncertainties as to what form the new farm proposals might take and when they might finally be enacted into law.

In the fall of 1937, these uncertainties constituted a serious problem for the farmers. The farmers were under the necessity of planning their 1938 production in the face of mounting surpluses and the actuality or the definite prospect of falling prices. Winter crops were already sown or being sown, and fall plowing was in full progress.

PREPARATIONS FOR THE NEW LEGISLATION

In view of all the circumstances, it seemed particularly important that the farmers and the Congress be afforded as early as possible all the information available that would have a bearing upon the farm program for 1938. With this in view, two important things were decided upon. They were:

First, on the basis of the existing law but making due allowances for obvious uncertainties, the outlines of the proposed agricultural conservation program for 1938 which had been worked out in the summer of 1937 were announced on September 20, 1937. As rapidly as possible the details were filled in, and the completed program for the next year was announced on October 25.

Second, the Secretary decided to give to the public, the farmers and the Congress an analysis and review of the problems facing the producers of the big export crops, cotton, wheat, and corn, together with a candid statement of his recommendations as to some of the principal legislative provisions for these crops. This was done in a series of three speeches in the fall of 1937.

By these two methods, early and definite information was made known, as to what would be the nature of the 1938 Agricultural Conservation Program if new legislation were not enacted; what the provisions of the program would be in all respects that might not be changed or affected by the provisions of any new legislation; and what changes in the act the Administration hoped to see accomplished in time to give producers more protection on their income from their 1938 crops.

Thus the announcement on September 20 of outlines of the Agricultural Conservation Program preceded the opening of a Nationwide series of hearings on the new legislation that subcommittees of the Senate Committee on Agriculture and Forestry conducted, beginning at Spokane, Wash., on September 30.

The outlines of the 1938 program as announced on September 20 were based on recommendations of county and community conservation committees all over the country, summarized and discussed in a conference of State conservation committeemen and Extension Service officials in Washington September 14 to 16. Therefore the Senate subcommittees had before they started their hearings a summary, in the form of the outlines of the program, of farm opinion as to what a 1938 program worked out under existing legislation should contain.

Continuing this effort to make public ample information, the Secretary's discussions and the announcement on October 25 of the details of the program had both been made before the Seventy-fifth Congress came together on November 15, in the special session sum-

moned by the President to deal with pressing economic problems, including those of agriculture.

THE WRITING OF THE NEW ACT

But the writing of the new national farm act by Congress naturally proved to be a long, hard job. The task of grappling with agriculture's most pressing economic problems took time. The new legislation had to be shaped to meet, not only the economic facts, but also the complicated technical requirements of current constitutional law.

Congress sought with especial care to make certain that the new act was safeguarded against any possibility of invalidation by the courts on grounds of unconstitutional delegation of legislative power. This required the spelling out in great detail of specific instructions to the Secretary of Agriculture. Complicated economic situations had to be anticipated, and the line of action to be taken had to be thought out in advance and then authorized in legal language. The spelling out of the regulations resulted in the lengthening of the statute. The opponents of farm legislation who had been attacking the earlier and more general farm acts on the ground that their broad powers made the Secretary of Agriculture a "dictator" now began to assail the new law for giving him specific directions on every point, condemning and ridiculing the new act for being too long and too complicated.

As might have been expected, a large amount of time and effort was required in Congress to resolve differences in viewpoint on important questions of policy arising with regard to important parts in the pending farm bill. There were different shades of opinion in the two Houses of Congress, and on the part of the Secretary. While in many respects they were in substantial agreement, the committee bills differed from each other in some of their main provisions. So far as the Secretary's recommendations were concerned, the Senate bill in particular at some stages of the legislative process represented considerable differences in approach.

One example of this variation in viewpoint was with regard to the degree of rigidity of marketing quota restrictions. Differences of opinion arose on this point. The Secretary urged that in order to be practical, marketing quota provisions should be moderate. He contended against application of a rigid formula providing for using flat percentages of tillable land within counties in the fixing of cotton acreage allotments. He argued for increasing the bill's normal supply and marketing quota levels for wheat and corn to make sure that none of the methods for marketing regulation could be used or a referendum held until surpluses were large and the Ever-Normal Granary was running over. He recommended against the fixing of loan rates on wheat and cotton, except in an emergency, at levels so high as to fix prices above world prices, and hence stop our exports of these two commodities. He urged enactment of a provision for the levy of processing taxes on cotton and wheat so that the making of parity payments, that the producers of these commodities needed to give them parity income, would not result in further unbalancing the Federal budget.

As the act was rounded into final form in Congress, its provisions and the amendments thereto represented accommodation of views on most of these points. Marketing quota levels for cotton were increased to more moderate levels than originally proposed in the Senate bill; a compromise was reached on normal and marketing quota levels for corn that decreased the probability of referenda on the use of quotas; and the national acreage allotment for wheat planted for the 1939 harvest was increased to 55,000,000 acres, with a provision which meant that no quotas would be used until 1939. The Price Adjustment Act of 1938, approved June 21, 1938, appropriated \$212,000,000 for parity payments, but no processing taxes were enacted. As it was finally worked out, the new adjustment act represented a remarkable accomplishment by congressional leaders and members of the agriculture committees of Congress in reconciling differences in point of view on its important provisions, and in piloting the measure safely through the controversies that threatened it.

GENERAL OBJECTIVES OF THE ACT

The new National Farm Act, known as the Agricultural Adjustment Act of 1938, finally became a law on February 16. In general, Congress declared the purposes of the new national farm legislation to be:⁴

To conserve the Nation's soil resources and use them efficiently.
To assist in the marketing of farm products for domestic consumption and export.

To regulate interstate and foreign commerce in cotton, wheat, corn, tobacco, and rice, so as to—

Minimize violent fluctuations in supplies, marketings, and prices of farm commodities;

Protect consumers by maintaining adequate reserves of food and feed; and

Assist farmers in obtaining a fair share of national income.

These purposes are for the benefit of agriculture and for the welfare of the entire Nation.

The act provides for a farm program open to participation by all farmers in the United States.

In the foregoing pages, reference has been made to the Agricultural Adjustment Act of 1938 as resulting from a desire of farmers for more comprehensive legislation than they had prior to its enactment.

The new act is well described as being comprehensive. Together with related legislation already in effect, the act is designed to integrate an agricultural program which includes various methods and approaches. Among the different measures which the new act seeks to weave into a general farm program are soil conservation on a Nation-wide scale; acreage allotments to help stabilize production;

⁴ The review of the Agricultural Adjustment Act of 1938 contained in this chapter is taken from a short summary of its provisions that was published soon after the act was signed. The text of the act is published in appendix G.

loans to finance farmers to hold larger carry-overs in surplus years; marketing quotas for surplus control of marketings in time of emergency; crop insurance for wheat; marketing agreements to avoid market gluts, especially of perishable crops and dairy products; subsidies of consumption for relief purposes by surplus relief buying operations; diversion of excess supplies to industrial uses and for export; and contributions to farm income through the making of parity payments. So with the passage of the new farm act, the Government more fully integrated the foregoing list of powers. Coordinated into a single farm program, these powers could now be used, singly or in combination, as seemed most practicable and effective in meeting the changing problems and difficulties facing the farmers. Together with companion legislation, the new act summarizes both the results of nearly 18 years of agitation, dating back to the post-war depression, for a national farm program and also the legislative and judicial experience and the administrative experience of the A. A. A. since 1933.

THE PROVISIONS OF THE ACT

One part of the act strengthens and continues the provisions of the Soil Conservation and Domestic Allotment Act under which about 4 million farmers took part in the agricultural conservation programs of 1936 and 1937. These provisions will be available, as in the past 2 years, to every farmer. They authorize continued payments to farmers who take part in the agricultural conservation program.

Another part of the new act supplements the conservation programs with provisions for regulating interstate and foreign commerce in the five commodities listed in the act—cotton, wheat, corn, tobacco, and rice.

Both parts of the act are designed to safeguard the efficiency of agriculture. All payments are to be conditioned upon participation in measures for soil conservation. Both parts of the act are designed to help in stabilizing commerce in agricultural products and to assist farmers in obtaining a fair share of the national income.

The provisions of the act may be broadly summarized as constituting a program designed to assist farmers to market abundantly year after year. They are designed to protect agriculture against the price collapses that heretofore have penalized heavy production. The act provides actual methods such as acreage allotments, marketing quotas, and commodity loans, to help give the stability of income that farmers need in order to grow and to maintain ample reserves of farm commodities for the Nation's use. In effect, this means that an Ever-Normal Granary will be started. The act's provisions affecting reserve supplies were expected at the time the act was signed to be accompanied by the approximate doubling of the average annual carry-overs of corn and wheat.

The provisions may be briefly grouped and summed up as follows:

1. The A. A. A. soil-conservation program is continued and its objectives established as a part of permanent farm policy in the interests of future abundance of food and fiber.

2. Systematic storage of food and feed surpluses from big crop years for use in years of shortage is assisted by commodity loans.

3. Marketing quotas for commercial producers of cotton, wheat, corn, tobacco, and rice, backed by penalties on sales in excess of the quotas can be used, subject to approval of two-thirds of the producers voting, to obtain general participation of farmers in a program designed to hold surplus supplies of the five listed commodities off the market until they are needed. Release of supplies withheld from market under marketing quotas is provided for in case of any unforeseen shortage.

4. Crop insurance for wheat, starting with the 1939 crop, will give wheat producers and bread consumers better protection against crop failure. Gradual accumulations of wheat paid in by farmers as insurance premiums will contribute to the Ever-Normal-Granary supplies.

Referendum provided.—An essential point in the new farm act is the fact that when excessive supplies pile up, producers themselves have the final say through a referendum as to whether marketing quotas for the five listed commodities are to be used or not.

In years when surpluses call for use of marketing quotas, the referendum must be held soon after the quotas are announced. If two-thirds of the producers voting favor the quota, it will be used, but if more than one-third of the voters oppose the quota, it will not go into actual operation.

Farm income protected.—Protection of farm income is a vital purpose of the new farm act. It seeks to give farmers a larger and steadier share in the national income. Specifically the act affords farmers the following measures of income protection:

Payments to farmers who cooperate in the Agricultural Conservation Program.

Additional "parity" payments, when funds are made available. An appropriation of \$212,000,000 was made for this purpose in 1938.

National acreage allotments to encourage plantings in line with domestic demand, foreign markets, and ample carry-overs, and that avoid sudden and extreme acreage shifts.

Storage loans to enable farmers to carry over unusually large supplies until the market needs them and they can be sold at fair prices.

Marketing quotas, together with the storage loans, to hold unusual surpluses out of glutted markets and to protect the value of commodities.

The Act requires that funds available for payments be divided among crops on the general basis of their average acreages and average value in the past, and the extent of the adjustments required. Specific provisions protect dairy, livestock, and poultry producers against increased competition arising from changes in land use under the program. In general, the act is also expected to help these producers by decreasing the likelihood that low prices will drive producers of corn, wheat, cotton, etc., into competition with them.

The national acreage allotments established for corn, wheat, and rice, and, under the Soil-Conservation and Domestic Allotment Act, for tobacco, are required to be divided equitably among the States producing these commodities. The State allotments are then divided among counties, and the county allotments among individual producers. The national cotton allotment (in bales) is converted into acres and then divided among States, counties, and individual farmers. All county allotments are apportioned among individual farmers through the local and county committees.

Marketing and storage quotas for the five listed commodities can become effective only when supplies exceed normal by amounts definitely specified for each commodity, and then only when approved in a producers' referendum. The supply levels which must be exceeded before quotas can be put into use include reserves and carry-overs larger than usual. To protect farmers who wish to hold products in storage when markets are becoming glutted and prices are threatened with collapse, the marketing-quota provisions when voted effective place penalties on excess marketing. The quota provisions apply to all producers, but are subject to termination in a national emergency, and must be adjusted or suspended to meet a shortage in domestic supplies or increases in exports.

The act requires, also, that all acreage allotments and marketing quotas be kept available for public inspection, and sets up a system of local committees for reviewing the quotas of any farmers who are dissatisfied and appeal for a review.

Parity payments.—The Agricultural Adjustment Act of 1938 authorized payments of Federal funds directly to producers of corn, wheat, cotton, rice, or tobacco for the purpose of reestablishing farm income and purchasing power somewhat nearer the pre-war level. Such payments were authorized to be made to producers on the normal production of the listed commodities, if and when appropriations were made for them, and were to be allocated among commodities on the basis of the amount by which the farm prices of the commodities were below parity. These payments were to be in addition to and not in substitution for any other payments.

The Agricultural Adjustment Act of 1938 made no appropriation for this purpose, but the "Price Adjustment Act of 1938," title V of the Work Relief and Public Works Appropriation Act of 1938, approved June 21, 1938, appropriated \$212,000,000 for these payments. Under the terms of the act parity payments on any crop are to be made only to producers who do not exceed the acreage allotments established for such crop for their farms under the 1939 Agricultural Conservation Program, and the payments are limited to the amounts required to bring the return, including the farm price, from any commodity up to 75 percent of the parity price. The payments are to be made on the basis of the normal yield of the farm acreage allotments established under the 1939 Agricultural Conservation Program.

The amount of money allocated to each of the five commodities is determined in part by the allocations used in the Agricultural Conservation Program, and in part by the amount by which farm income from 1938 production of each commodity is below parity income.

Cotton price-adjustment payments.—The Third Deficiency Appropriation Act, approved August 25, 1937, made available \$130,000,000 for price-adjustment payments on cotton harvested in 1937.

The object of the payments is to assure cotton producers who co-operate in the Agricultural Conservation Program an average return of 12 cents a pound for their cotton, or as nearly that return as possible. Payments are made to individual producers on 60 percent of their base cotton production as established by the 1937 program. Provision is made for payments on cotton which is held by the producer as well as on that which is sold. Cotton held by the producer is assumed to have been sold on June 30, 1938, at the official average price on that date.

Funds for this appropriation are derived from customs receipts under the provisions of section 32 of Public, No. 320, \$65,000,000 being appropriated from receipts for each of the fiscal years 1938 and 1939. No payments under this program had been made up to July 1, 1938.

Increase in small payments.—The attempt to give tenants and small farmers increased protection is one of the important features of the Agricultural Adjustment Act of 1938.

Equitable division of benefit payments between landlord and tenant is required. In general, the division is to be on the basis of the interest each has in the farming operations and of the contribution each makes to the conservation practices followed.

Additional protection is given by increasing the size of payments on small farming operations. These increases are made to producers who otherwise would receive payment of \$200 or less.

The amount of the increase is determined according to a schedule fixed in the act as follows:

<i>Payment earned</i>	<i>Amount of increase</i>
\$20 or less-----	40 percent.
\$21 to \$40-----	\$8 plus 20 percent of amount over \$20.
\$41 to \$60-----	\$12 plus 10 percent of amount over \$40.
\$61 to \$186-----	\$14.
\$187 to \$200-----	Enough to increase payment to \$200.

CHANGES IN THE 1938 PROGRAM

Enactment of the new act on February 16 brought a period of intense activity in the Agricultural Adjustment Administration.

The work of making the changes that were necessitated in the 1938 program, so as to bring it into line with the new act, was pushed forward. This had to be done with all possible speed, especially in the cotton and tobacco areas of the South where the season was most advanced and the referenda were to be held on March 12.

The general provisions of the 1938 Agricultural Conservation Program as announced the previous October stood up very well in their application to the general farming, dairy, and other areas outside the regions producing heavily of the export crops. With respect to the export crops, cotton, tobacco, corn, wheat, and rice, the passage of the act set in motion efforts to apply the new provisions in particu-

lars where they required changes in plans, or authorized the carrying forward of program operations which had been awaiting final enactments.

However, a description of the steps which were taken to apply the provisions of the new Farm Act to the surplus crops immediately affected should be preceded by a brief statement of the essentials of the 1938 Agricultural Conservation Program before the act was signed.

Soil-building goals.—In place of the minimum acreage of soil-conserving crops which had been provided for under the 1937 program, the 1938 program provided for a soil-building goal for each participating farm. This goal could be attained by adopting soil-building practices, including the planting of certain soil-conserving crops. The acreage of soil-conserving crops for the country as a whole in 1938 was placed at approximately 95,750,000 acres, an increase of 25,250,000 acres over the average for the 10 years 1928-37.

The soil-building practices which might be followed in achieving the soil-building goal for the individual farm were very largely the same as those for which definite payments were made under the 1937 program, but payments were of one type instead of the three which had been used the year before.

In 1938 payments were based principally upon observance of the various soil-depleting crop acreage goals set up for individual farms. Thus, the size of these goals largely determined the amount of benefit payment a producer could obtain. Other bases of payment were the adoption of approved soil-building practices and, in areas subject to serious wind erosion, the restoration of land to a permanent vegetative cover. All bases, however, were blended into one goal for the individual farm, and full attainment of the goal was necessary if full payment was to be earned.

Deductions from full payments were made if acreage allotments for soil-depleting crops were exceeded, if the soil-building practices followed on the farm fell short of the established goal, or if other practices were followed which tended to defeat the purposes of the program. In areas subject to serious wind or water erosion hazards, the program provided that farmers might be required, in order to earn maximum payments, to take such protective measures against erosion as were recommended by the State agricultural conservation committee and approved by the Agricultural Adjustment Administration.

When it was practicable for materials such as fertilizer, limestone, or seed to be furnished by the A. A. A. to participating producers for use in carrying out soil-building practices, the program provided that such materials might be furnished as grants to producers, and their cost to the Agricultural Adjustment Administration deducted from payments earned by the producers.

A complete list of soil-building practices under the 1938 program as announced April 16, 1938, is given in appendix A, along with rates of payment and deductions for nonperformance.

APPLYING THE NEW ACT TO THE SURPLUS CROPS

From the foregoing brief review of the 1938 Agricultural Conservation Program, and the understanding of the general terms of the act already outlined, it can be readily seen that the principal problem lay in applying the act to the surplus crops.

The situation as to cotton and tobacco farmers was especially difficult. The planting season was at hand, the dates for referenda on marketing quotas were set, and farmers were anxious for information as to how the act applied to their own farm work.

The Agricultural Conservation Program had to be adapted promptly to the acreage allotment provisions of the new act. The national allotments provided in the act for corn, cotton, wheat, and rice were determined on formulas worked out on the basis of the national supplies of the various commodities, and the probable demands for domestic consumption and exports. The formulas provide that these allotments shall be such as to produce, at the average yield for the 10 years preceding the making of the allotment, a supply of the commodity in question which would be adequate (1) to meet normal domestic consumption and export requirements during the following marketing year, and (2) to provide a reserve or carry-over supply of the commodity larger than the carry-over of past years had normally been. Such a supply assures consumers of enough of the crop at fair prices, in good years and bad, and assures producers of stocks on hand for sale at fair prices in good years and bad.

The allotments, as determined by the Secretary from the available statistics and forecasts, are distributed among States, counties, and individual farms in such manner as to assure participating producers an equitable share in the national production.

The acreage allotments are voluntary. Farmers who keep their plantings of the listed crops within the allotments made for their farms, thereby qualify for benefit payments made under the Agricultural Conservation Program. Deductions from these benefit payments, and loss of eligibility for maximum commodity loans and for parity payments, are provided for in cases of planting beyond the acreage allotments. No other payments or deductions from payments are provided for in connection with the acreage allotments. Acreage goals and allotments for crops other than the four specified were provided under the 1938 Agricultural Conservation Program.

The new act applied to cotton.—In the case of cotton, the act's provisions for acreage allotments and marketing quotas required rapid and important changes in the program.

The act applies directly to problems that continually face cotton growers. Some 10,000,000 farm people, on 2,000,000 farms in the South, depend on cotton as their chief source of income. So do several million other workers on railroads, in cotton gins, and in the textile mills. From one-third to one-half of the United States cotton crop usually is exported.

The act provided for announcement of the national cotton allotment for 1938 not later than 10 days after the approval of the act. The announcement is required not later than November 15 for sub-

sequent years. The new act required the national allotment to be expressed in terms of bales rather than of acres, and to be that amount of cotton which, together with the estimated carry-over as of August 1 after the announcement of the allotment, would make available a supply equal to a normal year's domestic consumption and exports, plus 40 percent as a carry-over.

Allotments for 1938 and 1939 were placed at not less than 10,000,000 bales and not more than 11,500,000 bales for each year. The national allotment for 1938 was announced as 10,000,000 bales plus an indeterminate number of bales resulting from exceptions to the general formula for determining county and farm acreage allotments. In the act itself and in amendments soon adopted to it, these exceptions provided for adjusting the allotment upward.

As the act required, the national cotton allotment was apportioned among States on the basis of their production during the preceding 5 years, including in the calculation the production that would have been obtained from acreage diverted from cotton production under the agricultural adjustment and conservation programs. The number of acres then was determined that would be required, at average yields, to produce the number of bales in the allotment of each State.

State acreage allotments, in turn, were distributed among counties on the basis of previous acreages, provided that no county allotment of less than 60 percent of the 1937 acreage for that county was permitted. The national allotment could be adjusted upward to allow for this provision.

County allotments were distributed, through local and county committees, among individual farms. This distribution was made primarily on the basis of tillable acreage. In addition there were special provisions relating to allotments to small farms and for adjustment according to past production of cotton on the farm.

Preliminary State cotton acreage allotments for 1938 estimated according to this procedure were as follows:

<i>Acres</i>		<i>Acres</i>	
Alabama -----	2, 244, 000	Missouri -----	378, 000
Arizona -----	197, 000	North Carolina -----	1, 002, 000
Arkansas -----	2, 402, 000	New Mexico -----	111, 000
California -----	389, 000	Oklahoma -----	2, 290, 000
Florida -----	89, 000	South Carolina -----	1, 366, 000
Georgia -----	2, 126, 000	Tennessee -----	826, 000
Illinois -----	5, 000	Texas -----	10, 121, 000
Louisiana -----	1, 263, 000	Virginia -----	60, 000
Kansas -----	1, 000		
Kentucky -----	20, 000	Total -----	27, 569, 000
Mississippi -----	2, 669, 000		

While work went ahead on getting out the acreage allotments to individual cotton farmers, preparations were pushed forward for holding the referendum on the use of marketing quotas for cotton in 1938.

COTTON MARKETING QUOTAS.—Cotton marketing quotas for individual farms consist of the yield—actual or normal, whichever is the larger—from the cotton acreage allotment established for the farm, in addition to any cotton grown in a previous year which might be

in the hands of the producer. That is, the farmer who has held his plantings within the acreage allotment for his farm is able to market without penalty all the cotton from that acreage. If he has exceeded his acreage allotment he is able to market without penalty as much cotton as was produced on his acreage allotment, or more if the actual yield was less than the normal yield from that acreage, in addition to cotton produced in a previous year but yet in the hands of the producer.

The penalty for marketing cotton in excess of the marketing allotment for the farm is 2 cents a pound. In future years the penalty will be increased to 3 cents per pound except on cotton grown in the year 1937-38.

Exemptions permit the marketing of cotton without penalty from farms on which less than 1,000 pounds of lint cotton is produced in 1938. Penalties, furthermore, do not apply to the marketing of cotton with a staple $1\frac{1}{2}$ inches or more in length, or to the marketing of pure strains of Sea Island or American-Egyptian cotton which normally produces a staple $1\frac{1}{2}$ inches or more in length.

Cotton producers received cards showing the amount of cotton which they are entitled to market without penalty, and cotton which they sell must be accompanied and covered by these cards. Penalties on excessive marketings of cotton are normally collected by the buyers, who may deduct such penalties from the purchase price of the cotton. Money so collected is turned over to the treasurer of the county agricultural conservation committee, and transmitted by the treasurer to the Secretary of Agriculture to be covered into the general funds of the United States Treasury.

COTTON REFERENDUM APPROVES QUOTAS.—The cotton referendum was set for March 12 in an announcement made 1 day after the act was signed, and on the following day, February 18, the Secretary issued the formal proclamation provided for in the new act. This proclaimed that the total supply of American cotton for the marketing year 1937-38 would be 24,000,000 bales, whereas the probable domestic and export demands would total only 11,900,000 bales. The act provides that a cotton marketing quota shall be proclaimed when the total supply exceeds by 7 percent the normal supply which is equal to a normal year's domestic and export requirements plus 40 percent as a reserve. This normal supply for the marketing year 1937-38 is 18,200,000 bales. The actual total supply exceeded the normal supply by 6,300,000 bales, or nearly 35 percent.

In the producers' referendum on a cotton-marketing quota for the marketing year beginning August 1, 1938, votes were cast by 1,527,028 farmers in 19 cotton-producing States, out of probably 2,300,000 producers eligible to vote. The official returns from the referendum showed that 92.1 percent of the producers who voted cast their ballots in favor of the application of the quota.

Table 12 gives, by States, the number of producers voting, the "yes" and "no" votes, and the percentage in favor of the application of the quota.

TABLE 12.—*Summary, by States, of cotton-marketing quota referendum held March 12, 1938*

State	Number of votes cast			Percent- age in favor
	Yes	No	Total	
Alabama.....	213, 525	9, 329	222, 854	95. 8
Arizona.....	1, 230	214	1, 444	85. 2
Arkansas.....	134, 754	4, 580	139, 334	96. 7
California.....	2, 908	1, 483	4, 391	66. 2
Florida.....	6, 921	1, 433	8, 354	82. 8
Georgia.....	121, 272	22, 706	143, 978	84. 2
Illinois.....	238	20	258	92. 2
Kansas.....	28	1	29	96. 6
Kentucky.....	1, 842	387	2, 229	82. 6
Louisiana.....	113, 412	2, 761	116, 173	97. 6
Mississippi.....	226, 556	7, 232	233, 788	96. 9
Missouri.....	12, 731	724	13, 455	94. 6
New Mexico.....	1, 787	428	2, 215	80. 7
North Carolina.....	127, 965	15, 534	143, 499	89. 2
Oklahoma.....	36, 866	15, 528	52, 394	70. 4
South Carolina.....	109, 666	3, 894	113, 560	96. 6
Tennessee.....	69, 286	5, 452	74, 738	92. 7
Texas.....	217, 425	28, 666	246, 091	88. 4
Virginia.....	7, 676	568	8, 244	93. 1
Total.....	1, 406, 088	120, 940	1, 527, 028	92. 1

So on the basis of the referendum, the marketing quotas for cotton were approved for the marketing year 1938-39.

The new act applied to tobacco.—The act applies to six different kinds of tobacco, each divided into types, and each handled as a separate commodity because its problems differ from the problems of the other kinds. Signing of the act of 1938 created immediate problems of the application of its provisions, within a very limited time, to the problems of tobacco growers.

When the act was enacted a referendum on the use of marketing quotas for flue-cured, fire-cured, and dark air-cured tobacco was called for, and subsequent amendments resulted also in a referendum among producers of burley tobacco. The referendum on marketing quotas for flue-cured and dark tobaccos was set for March 12, the same date as the cotton referendum, and the referendum among growers of burley was set for April 9.

TOBACCO ACREAGE GOALS.—Acreage allotments for tobacco are not provided for by the Agricultural Adjustment Act of 1938. Instead, acreage goals for different kinds of tobacco were established for the 1938 Agricultural Conservation Program under the provisions of the Soil Conservation and Domestic Allotment Act. A national goal for each kind of tobacco was calculated, this was distributed among States on the basis of their past production, and the State goals were distributed among counties. The county goals were distributed, through local and county committees, among individual farms on the basis of past acreages, with adjustments for abnormal weather conditions, plant-bed and other diseases; land, labor, and equipment available for tobacco production; crop-rotation practices;

soil and other physical factors; and for equitable apportionments to new and small farms.

State acreage goals for tobacco were provided as shown in table 13.

TABLE 13.—*State acreage goals for tobacco*

State	Flue-cured	Burley	Fire-cured and Dark Air-cured	Cigar filler and binder
Massachusetts.....				4,906
Connecticut.....				12,060
New York.....				927
Pennsylvania.....				24,903
Ohio.....		16,900		19,092
Indiana.....		12,650	500	
Wisconsin.....				23,150
Minnesota.....		6,900		780
Missouri.....		500		
Kansas.....				
Virginia.....	91,500	12,800	26,300	
West Virginia.....		5,050		
North Carolina.....	590,000	9,650		
South Carolina.....	95,000			
Georgia.....	83,000			286
Florida.....	13,700			521
Alabama.....	500			
Kentucky.....		311,000	88,900	
Tennessee.....		76,100	55,100	
Total.....	873,700	451,550	170,800	86,625

TOBACCO MARKETING QUOTAS.—Marketing quotas for different types of tobacco, expressed in pounds, were provided for under the act, and quotas for three kinds of tobacco were put into effect in 1938. The act requires the Secretary to determine on November 15 of each year whether the total supply of each kind of tobacco at the beginning of the current marketing year exceeds the reserve supply of such tobacco. The reserve supply is defined in the act as an amount of tobacco 5 percent greater than the normal supply, which is equal to a normal year's domestic consumption and exports, plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports, as a normal carry-over. If the total supply does exceed the reserve supply level the Secretary must announce that fact not later than December 1, when a marketing quota for tobacco is proclaimed to apply during the marketing year which follows that in which the proclamation is made.

The national marketing quota is to equal the total quantity of tobacco which may be marketed during that marketing year in order to make available a supply equal to the reserve supply.

This national marketing quota is apportioned by the Secretary among the tobacco-growing States on the basis of their past production of tobacco, with necessary adjustments. Not more than 5 percent of the national marketing quota is held in reserve to be distributed among new producers and to be used in increasing the quotas of small farms. The act provides that no State's share of the national quota of flue-cured tobacco shall be less than 75 percent of that State's 1937 flue-cured tobacco production.

State marketing quotas are apportioned, through local committees, among individual tobacco farms on the basis of their past marketings of tobacco, and other factors affecting tobacco production. Provision is made for minimum individual farm quotas.

Tobacco marketed in excess of a marketing quota is subject to a penalty of 3 cents a pound for flue-cured, Maryland, or burley tobacco and 2 cents a pound for other kinds, or 50 percent of the market price of the tobacco if that sum is larger than the fixed penalties.

Marketing quotas for flue-cured and fire-cured and dark air-cured tobaccos in 1938 announced under the terms of the act on February 18, and for burley tobacco on March 28, to be effective during the marketing year, as finally determined according to the provisions of the amended act, were as follows: Flue-cured tobacco, 748,079,000 pounds; burley tobacco, 356,842,500 pounds; fire-cured and dark air-cured tobacco, 147,835,000 pounds. The act provided for certain increases in these quotas.

In the referendums on flue-cured and fire-cured and dark air-cured tobacco quotas, held March 12, the results were as follows: Flue-cured tobacco, 219,842 growers or 86.2 percent in favor, and 35,255 opposed; fire-cured and dark air-cured tobacco, 39,328 growers or 80.6 percent in favor, and 9,460 opposed. Producers from six States—Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia—voted in the referendum on the flue-cured quota. Producers in four States—Indiana, Kentucky, Tennessee, and Virginia—voted in the referendum on the dark tobacco marketing quota.

The referendum among 177,078 burley growers in 14 States showed 154,208 growers or 87.1 percent voting in favor of the quota, and 22,870 growers voting against.

The new act applied to corn.—The new farm act treats corn as a basic source of food for the Nation. It recognizes the importance of corn as a feed crop. About 88 percent of the corn crop is fed to livestock and reaches the consumer in the form of livestock products. Extreme swings in corn marketing upset the balance between feed supplies and supplies of livestock, and lead, within a season or two, to extreme fluctuations in supplies and prices of livestock products. The Ever-Normal-Granary provisions in the new farm act are very significant for corn and livestock producers because of their great potential value in stabilizing market supplies and prices of corn and livestock. The corn plan provided in the act is carried out through acreage allotments, loans on storage, and in emergency when the Ever-Normal Granary "runs over," through marketing quotas, if the growers vote 2 to 1 for them in a referendum.

CORN ACREAGE ALLOTMENTS.—Corn acreage allotments under title III of the act were determined only for farms in the commercial corn area. Outside this area corn was included in the general soil-depleting crop acreage base for each farm. The commercial corn-producing area was defined in the Agricultural Adjustment Act of 1938 as including all counties where the average production of corn for grain during the 10 years preceding the announcement of an allotment, had been more than 450 bushels per farm, and more than 4 bushels for each acre of farmland in the county (with adjustment for abnormal

weather conditions). The commercial area is the Corn Belt and for 1938 was defined to include all of Illinois and Iowa; all except 15 counties in Indiana; 5 counties in southeastern Michigan; nearly all of southwestern and part of southern Minnesota; the northern two-thirds of Missouri; the eastern part of Nebraska, southeastern South Dakota and northeastern Kansas; 6 counties in southwestern Wisconsin, a large part of Ohio, and 4 counties in northern Kentucky.

The act required the Secretary to announce the national corn acreage allotment for 1938 as soon as possible after the approval of the act, and the allotments for subsequent years not later than February 1 of each year. It set the corn marketing year as the 12 months beginning October 1.

On March 21, about 5 weeks after the act was signed the Secretary of Agriculture announced a corn acreage allotment of 40,491,279 acres for the commercial area. This was in line with the national corn acreage goal of 94,000,000 to 97,000,000 acres under the Agricultural Conservation Program. The acreage allotment was calculated to produce in the commercial area enough corn, when added to that carried over from the previous year and that which it was expected would be produced outside the commercial area, to give a total supply equal to 110 percent of a normal year's domestic consumption and exports. The additional 10 percent allowed for a carry-over about double the usual carry-over of normal years.

This acreage was apportioned by the Secretary among the counties in the commercial area and, through the local and county committees, to individual farms after consideration of each farm's tillable acreage, crop-rotation scheme, soil type, and topography. The county apportionments gave the following distribution of the national allotment among States in the commercial area:

	<i>Acres</i>		<i>Acres</i>
Illinois-----	7, 348, 375	Minnesota-----	3, 319, 794
Indiana-----	3, 456, 203	Missouri-----	3, 267, 079
Iowa-----	9, 249, 232	Nebraska-----	6, 757, 334
Kansas-----	2, 108, 595	Ohio-----	2, 521, 771
Kentucky-----	150, 507	South Dakota-----	1, 635, 790
Michigan-----	223, 790	Wisconsin-----	452, 809

CORN MARKETING QUOTA.—The act requires the Secretary to determine and proclaim, not later than August 15 of each year, the probable total supply of corn as of the following October 1, and whether that total supply, including the carry-over, will exceed by more than 10 percent the "normal supply" which is equal to a normal year's domestic consumption and exports, plus 7 percent as a normal carry-over. The August crop reports and other official statistics are to be used in the determination.

If the total supply as to October 1 is estimated at more than 10 percent above the normal supply, marketing quotas for the commercial corn-producing area are to be announced for the following marketing year, beginning October 1, subject to a referendum of growers in the commercial area.

In conformity with the foregoing, the Secretary proclaimed that the probable total supply on October 1 would not exceed the normal supply by more than 10 percent, that marketing quotas would not be required on the 1938 crop, and that no referendum on corn quotas in 1938 would be necessary.

The new act applied to wheat.—The new farm act recognizes that the wheat farmer faces two chronic dangers. One is the risk of crop failure. This overtook him with successive short crops from 1933 to 1936. The other is the danger of tremendous surplus. Accumulation of successive surpluses without export outlets buried the farmer in 1932 under a mountain of 35-cent wheat, and at the time the act was passed, wheat supplies were again large.

The national wheat acreage allotment, to be announced each year not later than July 15, is defined by the act as the acreage which at average yields will produce, with the carry-over from the previous year, not less than 130 percent of a year's normal domestic consumption and export requirements. The 30 percent over the requirements would represent a reserve supply more than double the average carry-over of normal years, and would be available to meet new export markets or to maintain market supplies in years of short crops.

Plans had been made by the Agricultural Adjustment Administration during the summer of 1937 to set up a separate acreage goal for wheat similar to that prepared and later set up for cotton, but these plans were altered after a conference with wheat growers themselves held at Washington on July 1 and 2, 1937. In this 2-day conference with representatives from 31 wheat States concerning the wheat provisions of the 1938 Agricultural Conservation Program, it was decided to include wheat in a general soil-depleting acreage group rather than set up a special wheat acreage goal for wheat only.

Since much of the wheat for harvest in 1938 had already been seeded at the time of the approval of the act, and seeding had been planned with no separate goal for wheat in mind, it was provided that the acreage allotment for 1938 harvest set up by the act should be used only as a basis for calculating benefit payments and that it should be 62,500,000 acres.

Actual seeded wheat acreage for harvest in 1938 was again not far from 80,000,000 acres, and it early became apparent that the probable supply would be so large that if the 1939 allotment were figured according to the formula in the act, wheat allotment acreage for harvest in 1939 would probably be not more than 46,000,000 acres, a reduction of more than 40 percent from the 1936 and 1937 acreages.

In order to avoid the necessity for this extensive reduction, the amendment that was passed and approved on June 20, 1938, provided that the wheat acreage allotment for 1939, under which producers would be able to qualify for benefit conservation payments, would be not less than 55,000,000 acres.

The allotment of 62,500,000 acres for 1938 was apportioned on April 13, 1938, among States on the basis of average seedings for the preceding 10 years. The apportionment among States was as follows:

Acres		Acres	
Alabama.....	5, 710	Kansas.....	12, 519, 879
Arizona.....	35, 375	Kentucky.....	382, 542
Arkansas.....	77, 060	Maine.....	6, 047
California.....	708, 656	Maryland.....	395, 014
Colorado.....	1, 504, 623	Michigan.....	765, 831
Delaware.....	77, 489	Minnesota.....	1, 609, 218
Georgia.....	139, 664	Mississippi.....	84
Idaho.....	1, 011, 604	Missouri.....	1, 938, 358
Illinois.....	2, 039, 411	Montana.....	3, 973, 939
Indiana.....	1, 689, 970	Nebraska.....	3, 466, 075
Iowa.....	456, 037	Nevada.....	13, 147

	<i>Acres</i>		<i>Acres</i>
New Jersey.....	52, 990	Tennessee.....	381, 981
New Mexico.....	356, 665	Texas.....	4, 148, 240
New York.....	246, 779	Utah.....	239, 656
North Carolina.....	413, 024	Vermont.....	118
North Dakota.....	9, 431, 355	Virginia.....	546, 728
Ohio.....	1, 870, 407	Washington.....	1, 912, 506
Oklahoma.....	4, 291, 784	West Virginia.....	130, 091
Oregon.....	867, 859	Wisconsin.....	108, 001
Pennsylvania.....	873, 098	Wyoming.....	343, 971
South Carolina.....	125, 611		
South Dakota.....	3, 345, 403	Total.....	62, 500, 000

WHEAT MARKETING QUOTAS.—The act provides for marketing quotas for wheat, after the marketing year beginning July 1, 1938, based on the same general considerations of supply and demand as are the quotas for other crops. It requires that the Secretary shall determine not later than May 15 the total United States supply of wheat as of the beginning of the next marketing year. This supply is to include the anticipated production and the carry-over from the previous marketing year. If this supply should exceed by as much as 35 percent a normal year's domestic consumption and export requirements, a national marketing quota would be proclaimed for the following marketing year. This quota would not become effective if opposed by more than one-third of the producers affected who voted in a referendum held before June 10.

This national marketing quota would be expressed both in terms of bushels and in terms of the number of acres which, at average national yields, would produce the number of bushels in the quota. The quota would be the number of bushels equal to a normal year's domestic requirements and exports, plus 30 percent, less the carry-over from the preceding year and less the amount of wheat which would be estimated as being required on farms for seed or as feed for livestock during the marketing year.

Crop insurance for wheat.—Insurance to wheat growers on their yield, beginning with wheat harvested in 1939, is provided for under title V of the Agricultural Adjustment Act of 1938. This legislation created the Federal Crop Insurance Corporation as an agency of the Department of Agriculture, to administer the crop-insurance plan. While limited to wheat under existing legislation, the plan may be adapted and applied later to other commodities.

Premiums and losses under the crop-insurance plan are calculated in terms of bushels of wheat. Payments of either may be made either in wheat or in cash. The Corporation uses cash paid as premiums to purchase wheat at the current market price. It may also sell wheat in order to meet claims for cash indemnities. The corporation maintains its reserves in actual stored wheat and is not authorized to buy or sell wheat on the market for any purpose other than to add premium wheat to its reserves, pay claims for losses of producers, or to prevent deterioration or to change the location of stored wheat reserves.

The effect of making premiums and claims payable in terms of bushels of wheat is to provide growers with insurance on their yields, but not on their price, and to stabilize in a measure the marketing of wheat.

In good wheat years wheat will accumulate in the reserves of the Corporation, as it is paid in in premiums. This will tend to divert from the regular market channels a certain portion of an unusually large crop and thus strengthen the market price. It is estimated that the insurance reserve may eventually reach a level of from 50,000,000 to 100,000,000 bushels.

In bad wheat years when losses are heavy wheat will be paid out to producers who have suffered losses and who will market the wheat, thus increasing the market supply to the advantage of consumers.

While the net cost of the insurance is borne by insured producers who contribute in premiums the wheat that is stored as a reserve and later paid out in settlement of losses, the expense of administering the plan and storing the wheat reserves is borne by Government funds and the Corporation is provided with a capitalization of \$100,000,000 representing stock held by the Government, of which \$20,000,000 has been subscribed to be available if required to pay heavy losses before the accumulation of a reserve in wheat paid in as premiums.

Insurance coverage may be for either 50 percent or 75 percent of the average yield for the farm, at the choice of the grower, under certain stipulations by the Corporation. Insurance premiums for individual farms are calculated on the basis of average yields and average losses on the farm during the 6-year period 1930-35, adjusted according to the experience in the 10-year period 1926-35, and also adjusted in relation to yield and loss averages for other farms in the same county. The minimum rate would be 0.5 bushel per acre for a coverage of 75 percent of the average yield and 0.3 bushel per acre for coverage of 50 percent of the average yield.

Tentative rates have been calculated, on the basis of statistics on past yields and losses, for all important wheat-growing counties. These rates range upward from the minimum given above. Statistics collected in the operation of agricultural adjustment and conservation programs are used in calculating average yields and premium rates.

The crop-insurance plan is administered through State and county agricultural conservation committees and the Agricultural Extension Service, with a supervisor appointed for each State. Headquarters of the Corporation are at Washington, with one branch office at Minneapolis, Minn., and another at Kansas City, Mo.

The new act applied to rice.—RICE ACREAGE AND DOMESTIC CONSUMPTION ALLOTMENTS.—The new act requires that each year before December 31 the Secretary shall determine and proclaim the national and State acreage allotments for rice and the allotments to be in effect for the following crop year. The national acreage allotment is to be that acreage which, at the average yield of the preceding 5 years, would produce a normal year's domestic consumption and exports of rice, plus 10 percent as a carry-over.

The national allotment is distributed by the Secretary among the rice-producing States on the basis of their previous acreages. In each State the State allotment is thereupon distributed through local and county committees among rice growers, 3 percent of each State allotment being reserved to be distributed among new producers. The distribution of allotments among producers is based upon past

production, crop-rotation practices, soil fertility, and other physical factors affecting the production of the crop.

In addition to the acreage allotment the act requires the Secretary to establish and proclaim the total amount of rice which will be needed during the next marketing year to meet the requirements of consumers in the United States. This domestic allotment is then apportioned among States in proportion to the average production of a 5-year period, and the State allotments among rice growers on the basis of the yields of their acreage allotments.

State rice acreage allotments for 1938 were announced by the Secretary on April 28, 1938, as follows:

State:	<i>Acres</i>
Arkansas.....	155,728
California.....	105,094
Louisiana.....	421,396
Missouri.....	510
Texas.....	167,272
Total.....	850,000

RICE MARKETING QUOTAS.—The Agricultural Adjustment Act of 1938 prohibited the application of marketing quotas to rice in the marketing year beginning August 1, 1938. It provided that in later years, if the total available supply of rice exceeds by more than 10 percent the normal supply, which is a normal year's domestic consumption and exports plus 10 percent, that fact shall be proclaimed at the time of the proclamation of the national rice acreage allotment, and a national marketing quota will be in effect, subject to a referendum of growers, during the following marketing year.

A rice marketing quota would be the amount of rice required to make available, during the marketing year, a normal supply of rice.

This national quota would be apportioned among producers on the same basis of production on which the domestic allotment of rice would be apportioned among them. Rice producers marketing rice in excess of their quotas would be subject to a penalty of 0.25 cent for each pound so marketed.

LOANS AND THE EVER-NORMAL GRANARY

Loans to farmers to enable them to hold their crops, an important measure of protecting them against sudden price declines, become under the new farm act an essential instrument in carrying out the Ever-Normal Granary for corn, and one means of establishing an Ever-Normal Granary for wheat.

The Ever-Normal Granary means increased reserve supplies of these two crops, going into storage in time of surplus production, for use in short-crop years. The new farm act modified and extended the commodity loan program.

Loans on agricultural commodities.—In continuation of the practice which had been followed since 1933 the Federal Government, through the Commodity Credit Corporation, has made loans to producers of certain agricultural commodities, on the security of the stored commodities themselves, in 1937 and 1938.

One purpose of these loans has been to put a plank under prices of farm products when these prices were too greatly depressed by

oversupplies on markets. Another purpose has been to enable farmers to carry over from a good year supplies not immediately required for consumption, and thus have those supplies available in years when crops are short. This carrying over is designed (1) to help maintain for consumers an adequate supply of the commodities in question at fair prices and (2) to help stabilize farmers' incomes from these commodities by avoiding alternate oversupplies and scarcities with consequent severe price fluctuations.

Table 14 gives data as of June 30, 1938, on commodity loans made through the Commodity Credit Corporation, either approved since January 1, 1937, or outstanding at some time since that date. Information on loans in previous years has been given in previous reports. The rate of interest on all these loans is 4 percent per annum.

Loans under the new farm law.—The Agricultural Adjustment Act for 1938 authorized such loans through the Commodity Credit Corporation on any agricultural commodity, including dairy products, and specifically directed the Corporation to make loans on cotton, corn, and wheat under supply and price conditions laid down in the act itself. In addition to stipulations as regards rates at which these loans should be made, the act provided that there should be variations and adjustments in these rates on the basis of variations in the grades and qualities of the commodities which were security for the loans.

TABLE 14.—*Data on commodity loans approved since Jan. 1, 1937, or outstanding at any time within that period, by commodities produced in years specified*

Commodity and year produced	Date loan was approved	Date of maturity of loan	Rate of loan
Cotton:			
1934-35.....	Sept. 11, 1934.....	Feb. 1, 1936.....	12 to 11 cents per pound. ¹
1935-36.....	Sept. 9, 1935.....	July 31, 1936.....	10 to 9 cents per pound. ¹
1937-38.....	Aug. 30, 1937.....	July 31, 1939.....	9 to 6 cents per pound. ¹
Corn:			
1935-37.....	Oct. 30, 1936.....	June 1, 1937.....	55 cents per bushel.
1936-37 ²	Oct. 26, 1936.....	Apr. 1, 1937.....	\$1.75 per bushel.
1937-38.....	Dec. 3, 1937.....	Extended indefinitely.	50 to 44 cents per bushel. ³
Tobacco:			
1931-35 ⁴	June 27, 1936.....	Demand notes.....	Averaged 12.32 cents per pound.
1937-38.....	Feb. 19, 1938.....	do.....	Averaged 16.42 cents per pound.
Turpentine and rosin:			
1934.....	July 27, 1934.....	May 1, 1935.....	Averaged 46.4 cents per gallon of turpentine and \$4.455 per barrel of rosin.
1938.....	Apr. 2, 1938.....	Feb. 1, 1939.....	Averaged 21.2 cents per gallon of turpentine and \$10.40 per barrel of rosin.
Dates.....	Oct. 13, 1937.....	Demand notes.....	4 cents per pound.
Figs.....	Sept. 16, 1937.....	do.....	1½ cents per pound.
Prunes.....	Nov. 1, 1937, and Oct. 19, 1937.	do.....	2 cents per pound.
Raisins.....	Mar. 4, 1938.....	do.....	\$55 per ton.
Wool and mohair.....	Apr. 13, 1938.....	May 31, 1939.....	Averaged 17.55 cents per pound.
Butter.....	June 9, 1938.....	Demand notes.....	Averaged 24.8 cents per pound.
Peanuts.....	Oct. 4, 1937, and Oct. 19, 1937.	do.....	Averaged 3 cents per pound.

¹ Rates on cotton loans varied according to the grade and staple of the cotton offered as security.

² Two loans on corn grown in 1936 were made. One was on corn for feed, and was at the rate of 55 cents per bushel. The other, announced Oct. 26, 1936, was on corn of quality suitable for seed, and was at the rate of \$1.75 per bushel. Disbursements under both loans are combined in this table.

³ This rate varied according to the moisture content of the corn stored as collateral.

⁴ These loans were made originally by the Reconstruction Finance Corporation and the outstanding balances were purchased by the Commodity Credit Corporation from the Reconstruction Finance Corporation as of June 30, 1936.

TABLE 14.—*Data on commodity loans approved since Jan. 1, 1937, or outstanding at any time within that period, by commodities produced in years specified—Continued*

Commodity and year produced	Amount disbursed	Repayments and notes charged off	Balance outstanding
Cotton:			
1934-35.....	\$303,434,803.48	\$187,442,854.20	\$115,991,949.28
1935-36.....	3,655,821.76	3,631,358.97	24,462.90
1937-38.....	105,364,756.05	1,419,201.58	103,945,554.47
Corn:			
1936-37.....	46,031.82	46,031.82	-----
1936-37 ²			-----
1937-38.....			6,994,700.57
Tobacco:			
1931-35 ⁴	8,592,845.37	3,883,950.11	4,708,895.26
1937-38.....	165,116.12	-----	165,116.12
Turpentine and rosin:			
1934.....	7,261,386.39	5,851,790.95	1,409,595.44
1938.....	4,038,837.13	1,199.91	4,037,637.22
Dates.....	61,302.00	19,952.40	41,349.60
Figs.....	83,914.91	83,914.91	-----
Prunes.....	2,357,068.91	919,752.35	1,437,316.56
Raisins.....	966,416.27	-----	966,416.27
Wool and mohair.....	555,024.97	7,878.21	547,146.76
Butter.....	290,912.15	-----	290,912.15
Peanuts.....	5,359,000.53	4,785,210.48	573,790.05
Total.....	449,393,206.96	208,258,364.31	241,134,842.65

See footnote on p. 119.

Amounts, terms, and conditions of loans offered to producers of agricultural commodities other than cotton, wheat, and corn, are to be determined by the Secretary of Agriculture with the approval of the Commodity Credit Corporation and of the President. No loans on cotton, corn, wheat, or rice may be offered to producers during a marketing year in which supplies of either of these commodities have reached levels at which the application of a marketing quota is authorized under the act, if a referendum on such a marketing quota has resulted in an unfavorable vote of the producers and if the quota has thereby been rendered ineffective. This provision is designed to protect the value of the commodity which constitutes the security for the Government loan, since unregulated and burdensome marketing would tend to force down the price of the commodity.

WHEAT LOANS.—The Commodity Credit Corporation is directed to offer loans to wheat producers under conditions defined in the act. The loans are to be offered to cooperators in the Agricultural Conservation Program who hold their wheat plantings within the acreage allotments established for their farms, by title III of the act, on terms different from those offered to noncooperating producers.

Loans are to be offered to cooperating producers: (1) In any marketing year beginning in a calendar year in which the farm price of wheat on June 15 (or thereafter during the marketing year) goes to less than 52 percent of the parity price; or (2) in any marketing year in which the July crop estimate for wheat indicates a crop in excess of a normal year's domestic requirements and exports. Rates of such loans are to be not less than 52 percent and not more than 75 percent of the parity price of wheat on July 1, the beginning of the marketing year.

Loans are to be offered to noncooperating producers only in years when marketing quotas for wheat are in effect, and then only on so much of their crop as, under the marketing quota, would be subject to a penalty if marketed. The rate of loans to noncooperators is to

be not more than 60 percent of the rate of loans to cooperators in the conservation program.

CORN LOANS.—The Agricultural Adjustment Act lays down in detail the conditions for offering loans on corn. Different conditions apply to producers who comply with the allotment prescribed by the act for the commercial corn area, and to those producers who do not. For producers outside the commercial corn-producing area, eligibility for loans is conditioned on not exceeding the soil-depleting base established under the Soil Conservation and Domestic Allotment Act.

To cooperating producers within the commercial corn-producing area loans are to be offered: (1) During any marketing year beginning in a calendar year in which the November crop estimate indicates a crop in excess of a normal year's domestic requirements and exports; or (2) in any marketing year when on November 15, or thereafter, the farm price of corn goes below 75 percent of the parity price.

These loans are to be offered at rates determined by national supply and price factors, as follows:

At 75 percent of the parity price if the November crop estimate does not exceed a normal year's domestic consumption and exports, but the farm price of corn is below 75 percent of the parity price on November 15, or at any time thereafter during that marketing year.

At 70 percent of parity price if the November estimate exceeds the normal year's requirements by not more than 10 percent.

At 65 percent of parity price if the estimate exceeds the normal year's requirements by more than 10 and not more than 15 percent.

At 60 percent of parity price if the estimate exceeds the normal year's requirements by more than 15 and not more than 20 percent.

At 55 percent of parity price if the estimate exceeds the normal year's requirements by more than 20 and not more than 25 percent.

At 52 percent of parity price if the estimate exceeds the normal year's requirements by more than 25 percent.

To corn growers in the commercial area who are not cooperating in the conservation program, loans are to be made only in years when a marketing quota is in effect for corn, on only that portion of their crop which the marketing quota requires shall be stored, and at only 60 percent of the rates for cooperating producers.

To corn growers outside the commercial area who are cooperating in the conservation program, loans are to be offered at 75 percent of the rates for cooperators within the area. Marketing quotas for corn do not apply outside the commercial area.

COTTON LOANS.—Provisions of the act with regard to loans to cotton producers distinguish between growers complying with the acreage allotments set up by the act and those who are not complying. It directs that loans shall be offered to cooperators during any marketing year in which the average price of $7\frac{1}{8}$ -inch middling cotton on the 10 designated spot markets goes below 52 percent of the parity price. The rates of these loans are to be not less than 52 percent and not more than 75 percent of the parity price as of August 1, the beginning of the marketing year for cotton.

Cotton growers who are not complying with the acreage allotments set up by the act are to be eligible for loans only in years when cotton marketing quotas are in effect, and then only on that portion

of their crop which cannot be marketed except under the penalty provided for by the marketing quota, and at rates equal to 60 percent of the rates offered to cooperators.

LOCAL ADMINISTRATION BY FARMERS

The new farm act wrote into law the practice which had been followed since 1933 of depending upon farmers themselves for local administration of the program.

Agricultural adjustment legislation previous to the Agricultural Adjustment Act of 1938 authorized the Secretary of Agriculture in administering such legislation to utilize the assistance of local, county, and other committees and associations of farmers who were participating in the program. From 1933 onward, the assistance of these groups was used in local administration of the national programs. Farmer committeemen and associations recommended measures for the program, and modifications of the program, with reference to the conditions and needs of their own localities. They also took part in carrying out the programs in their own areas.

The Agricultural Adjustment Act of 1938 crystallized this principle of local assistance in administration by requiring the Secretary to designate local administrative areas, by prescribing that cooperating producers in those areas shall elect local and county committees from among their own number, and by requiring that certain administrative functions, notably the apportioning of county acreage allotments among individual farms, shall be carried out through the local and county committees.

The act also specified the manner in which the local committees, of not more than three members each, shall be elected by the cooperating farmers, and the manner in which county committees shall be chosen. Because of the fact that by the date of the approval of the act the 1938 Agricultural Conservation Program was already under way and local and county committees chosen under its provisions were already functioning, the act provided that the committees already chosen should function through 1938.

For 1939 and thereafter the county committees, each of not more than three farmer members, are to be elected at a county convention by local delegates chosen by cooperating farmers in the administrative areas at the same time as the local committeemen are chosen.

County agricultural extension agents are to be ex officio members of the county conservation committees unless they are elected to serve as their secretaries, but may not vote.

The act provides that in each State there shall be a State agricultural conservation committee of not fewer than three and not more than five farmer residents of the State, appointed by the Secretary of Agriculture. In addition, each State director of agricultural extension is ex officio a member of his State committee.

Local and county committeemen carry a large share of the administrative work connected with the program in their counties and areas. Their recommendations are required in the apportionment of acreage allotments, the approval of certain soil-building practices, the requirements as to protecting soil from erosion, and the checking and approval of applications for benefit payments under the conservation, loan, and other programs.

CHAPTER 4

OBJECTIVES IN AGRICULTURAL ADJUSTMENT POLICY

Important developments in the relations between the Federal Government and agriculture before 1933 were reviewed in the first chapter of this report. Next, the provisions of successive farm legislation which began with the original Agricultural Adjustment Act were summarized in chapter 2. Finally, in chapter 3, the operations of the Agricultural Adjustment Administration under these various acts were summarized briefly for the period preceding January 1, 1937, and described in more detail for the period since that date.

These chapters have told what has been done. This chapter will set forth the basic ideas which underlie the agricultural adjustment policy as a whole, and will describe the objectives sought through that policy.

In this chapter the objectives of the adjustment program are considered as they relate to: (1) Conditions and events leading up to the adjustment legislation, (2) the provisions of the legislation enacted, (3) the attitude of those charged with its administration, and (4) the nature of the activities carried out. In succeeding chapters a preliminary appraisal is made of actual progress toward the objectives. Finally, in a concluding chapter an attempt is made to express the policy reflected in the program during the past 5 years.

I. EMERGENCY FACTORS DOMINATED EARLY OBJECTIVES

The first adjustment programs were launched in a period of acute depression. For agriculture this depression had begun in 1921, but it did not seriously affect other industries until late in 1929. From then on it spread rapidly, and by the spring of 1933 agriculture and the entire Nation were faced with an economic emergency unprecedented in American history.

Agricultural prices had fallen sharply in 1921. The events of 1929 started a further decline. Demand for farm products fell off rapidly both at home and abroad, while farm production continued at a high level and in some lines even increased. As a result, by 1932 prices of farm products had dropped to record lows. Thousands of farmers had lost their farms, and many others whose farms were mortgaged faced the prospect of losing their equities.

Almost from the beginning of the farm depression in 1921, widespread demands for governmental aid to farmers arose. Various proposals for such aid were advanced. During the years of discussion and agitation which followed, a public attitude in favor of some positive Government program for farm aid was gradually developing. Appar-

ently, however, this attitude was not centering on any one specific plan of action. Farmers themselves were divided over the question of what measures should be employed to provide the help which nearly all felt to be necessary, and each of the large general farm organizations was sponsoring a different plan.

In 1927 and 1928 Congress twice passed the McNary-Haugen bill, but each time this legislation was blocked by a Presidential veto. Following this double defeat of the plan which had acquired the greatest measure of political support, sponsors of the various farm-relief proposals apparently concluded that it was not yet possible to obtain enactment of any one of the plans in which they were most interested. As a result, some farm groups supported and none of the general farm organizations actively opposed a trial of the Farm Board plan embodied in the Agricultural Marketing Act of 1929.

This experiment broke down under the extremely adverse conditions of the time. In Congress and among representatives of the major farm groups, the idea of developing an emergency plan gained headway. It was hoped that this emergency relief might serve during a period in which they could compose their differences and work out a permanent plan that all could support. Consequently, under the added stimulus of rapid declining prices and incomes, and under the leadership of the new national administration, the various agricultural spokesmen accepted and supported the agricultural adjustment legislation with its promise of an immediate attack upon the farm problem.

This first adjustment legislation was designed to meet the national economic emergency. It was based upon a frank recognition of the economic conditions in agriculture which were impoverishing farmers and impeding general business activity. These circumstances necessarily dictated the immediate objective of the act and of the program through which it was carried out.

This objective was the enhancement of farm income and purchasing power in order to relieve farm distress and hasten recovery from the national economic crisis. Both this objective and the broad purpose underlying it were stated briefly but comprehensively in the title of the whole statute of which agricultural adjustment made up one part, and the first section of which was headed "Declaration of Emergency."

The program through which the provisions of the Adjustment Act was carried out sought to bring about a substantial redistribution of the national income as between farmers and other groups. To this end the various activities described briefly in the preceding chapter of this report were undertaken by the Agricultural Adjustment Administration. The theory underlying those activities may be stated quite clearly.

First, it was expected that the adjustment programs, by restoring better balance between supply and demand for farm products, would increase farm-buying power and thus stimulate general economic recovery. The result of this general economic improvement would naturally be an increase in the total national income. In the second place, it was expected that farmers would receive a larger share of this increased national income. In other words, as Secretary Wallace

has often informally expressed it, the agricultural policy sought to obtain for farmers "a larger piece of a bigger pie."

The payments to farmers were to be not only a direct contribution to farm income, accomplishing in themselves a partial redistribution of national income, but they were to be paid in such a way as to help farmers restore a better balance between supply and demand for their products. This better balance, in turn, would serve to stimulate the general economic activity which was necessary if the national income was to be increased.

Prominent in the program were the commodity-adjustment plans. Under these plans, sizable income supplements in the form of benefit payments were made available for the immediate relief of farmers. By financing these payments through processing taxes, and by conditioning them upon limitation of acreage and production, part at least of the cost of this relief was transferred to the market in the form of higher prices.

In their application to certain basic commodities, the commodity-adjustment plans were supplemented by such measures as Government purchases, commodity loans, marketing agreements, and penalty taxes upon production in excess of allotments, in order to assure their immediate effectiveness in raising farm prices and incomes. For other commodities, marketing agreements and licenses, purchases for relief distribution, and diversion plans were developed. All these activities were directed toward the same broad objective of income improvement for farmers.

In some instances this objective was sought mainly through regulation of prices. More typically, however, the approach was through regulation of supplies. It included in some instances the restriction of acreage and production or the limitation of marketing; in others the removal of supplies already on the market, through relief purchases or diversion to noncompetitive outlets such as export or by-product uses; and in still others a control over the distribution of supplies within the season, among markets, or among uses.

Thus, in its first phase the program was designed primarily to increase the incomes of individual farmers. The payment of cash benefits was a direct approach to this end. But for enlarging and maintaining these gains chief emphasis was placed upon eliminating surpluses, raising prices, and stimulating national economic activity. In order to set up a definite administrative goal, the price objective was defined in the law as the level which would give farm commodities a purchasing power in relation to other commodities equal to what they had had in a base period—in other words, "parity price."

II. FIRST OBJECTIVES MODIFIED BY DROUGHT

The early adjustment plans were swiftly modified in 1934 as a result of the great drought, which had disastrous effects on yields of all crops over a large area. In comparison with the effects of the drought, the adjustments which had been planned through the programs were small. Carry-overs of wheat and other grains were reduced until wheat sold on a domestic-price basis rather than on a world-price basis. Because of the shortage of feed, livestock numbers

were so drastically cut that supplies of pork and beef for 1935 were much smaller than in previous years. Meat prices rose to levels which brought complaints from consumers. Prices of milk, eggs, and butter also were strengthened. Thus within one season drought caused an adjustment in the supplies of farm products far more sweeping than any remotely suggested by any phase of the adjustment program.

The drought adjustment, however, was far from satisfactory. Although prices were now at the higher levels that had been sought, farm income did not increase comparably with prices. Producers in the drought areas lost such a large part of their crops and livestock that in many cases they had virtually nothing to sell at the high prices prevailing. Under these circumstances the cash benefit payments provided by the program were highly important as actual relief from a disastrous loss of income.

To meet the new conditions caused by the drought, emphasis upon income enhancement was continued but much greater attention was given to providing a controlled expansion of the output of foods and feeds which had been too much reduced by the drought. At the same time the Agricultural Adjustment Administration and other Government agencies undertook an extensive cattle-purchase program and other large-scale drought-relief activities. Besides salvaging livestock which otherwise would have been lost, and conserving existing supplies of feed, these emergency measures supplemented the cash benefit payments and saved many farmers in the drought areas from being made destitute.

III. LONGER-TIME OBJECTIVES EMERGE

The character of the program in its first 2 years of operation was influenced largely by these emergencies. In a similar way, emergency considerations likewise shaped the program in succeeding seasons. Such influences have been highly important in determining the activities undertaken in almost any given period. But these activities were also important as intermediate steps toward long-time objectives of a more fundamental nature.

THE EARLY OUTLOOK REPORTS

Prominent among the long-time objectives are permanent improvements in systems of farming. This objective began to emerge even in the first phase of the program. It had not originated with the Agricultural Adjustment Act, but, on the contrary, was already well established in earlier efforts by Federal and State agencies to develop extensive informational services and programs of educational guidance to help agriculture make a larger contribution to national well-being. The character of this long-time objective is seen most clearly in the agricultural outlook work which began in 1922 and has since been conducted by the Department of Agriculture and the various State agricultural colleges, and which was intended to help farmers solve the problem of what and how much to produce.

Early outlook reports emphasized the importance of maintaining production at an annual level which would result in satisfactory prices. Hence, analyses of commodity situations were projected to

indicate what prices might be expected in the succeeding season, in the hope that farmers would be influenced to adjust their production plans accordingly. This procedure was a direct approach to the problem of maintaining a suitable balance between total supplies and demand through educational guidance.

As the work continued, however, it became apparent that farmers were not making the indicated adjustments in sufficient numbers to bring about the desired ends. When formulating their production plans, individual producers were influenced by considerations other than the price outlook. For instance, the tendency to maintain fairly stable rotations and crop combinations restricted farmers' year-to-year changes in line with price outlook. This fact, together with conclusions reached by farm-management research, seemed to indicate that adapting systems of farming to particular local conditions represented a more important aspect of production adjustment than did year-to-year changes in response to market conditions.

In line with this indication, attempts were made to refine the annual outlook analysis so as to make it more applicable to regional and local conditions. More attention was given to basic trends which should be taken into account in establishing a permanent system of farming, and less importance was attached to forecasting the marketing situation for the following season. In addition, an effort was made to coordinate the outlook material with other educational activities.

THE EARLY PROGRAM PLANNING EFFORTS

In some localities such activities became the nucleus for the development of local agricultural programs through which farmers, extension workers, and others collaborated in working out the long-time adjustments which seemed to be needed in their communities, and in focusing educational efforts on the problem of getting farmers to make these adjustments. These programs represented the most advanced stage so far attained in agricultural adjustment through educational guidance and voluntary farmer cooperation. They were pioneer efforts in program planning. They promised to become more effective than any previously attempted method for bringing the information of the Department and the State colleges to bear directly upon the farmer's problem of achieving an efficient system of farming over a period of years.

Although the information available was generally somewhat inadequate for intensive local application, it was possible to actually formulate constructive plans. However, it was exceedingly difficult for farmers to make voluntary adjustments called for by the plans, and it became apparent that broader and more direct assistance was needed.

The voluntary domestic-allotment plan was suggested as a means for making the plans effective if it could be modified to make the direct benefits to farmers conditional upon their willingness to make prescribed adjustments in their production. From this point of view, the production-control feature of the plan would protect income benefits by preventing offsetting increases in production. The payments thus would become extremely important in that they would identify

individual advantage with group advantage, and make it pay more to cooperate than to refuse to cooperate. They would become, in fact, the economic mainspring that had been lacking from all the usual cooperative programs. They would offset the loss of income due to cooperation, and make it profitable to adjust and to conserve rather than to sacrifice long-time gains for the sake of immediate volume production.

OBJECTIVES OBSCURED BY EMERGENCIES

When the adjustment program was finally authorized, however, this general idea of promoting long-time internal adjustments in agriculture was largely submerged by emergency considerations. Under the conditions which developed after 1929, the low prices and excessive accumulations of supplies were viewed as the problem of greatest importance, and for the time being attention was directed very largely to the matter of adjusting total production downward, thereby abruptly halting the previous trend toward a more permanent adjustment based on improved systems of farming.

But although submerged temporarily, the long-time objective was by no means eliminated as a factor in the evolution of farm policy. The emergency emphasis was necessary under the conditions which prevailed, but it was not in any sense regarded as an abandonment of long-time principles. Even within its first year of operation the Agricultural Adjustment Administration program was administratively viewed as an immediate step toward a more permanent program which was already under consideration.

Such considerations were increased in 1934, although again they were obscured by the drought emergency. After the drought, with surpluses substantially reduced and incomes at a higher level, it became possible in 1935 to study the adjustment programs in order to see how they might be modified for permanent use. This move represented a shift in objectives, not so much through the dominance of new ideas as through the reappearance of long-time ends which necessarily had been subordinated during the period of emergency.

At this stage several conclusions seemed to be apparent from the experience already gained. It was observed that the distribution of benefit payments out of processing taxes offered an effective means for getting farmers throughout the country to cooperate in making the needed adjustments. Even the first programs had significant effects in this direction, since many of the acres taken out of production were planted to grasses, legumes, and other cover crops that were good for the land and desirable from a long-time point of view.

Work that had been done in the Department of Agriculture and in various agricultural experiment stations indicated that if a large majority of farmers carried these changes to the extent approved by good farm management, a solution of the problem of adjusting total production would be in sight. Moreover, this more diversified system of farming would be less affected by year-to-year variations in weather conditions, and hence production would be correspondingly more stable. Also, it would bring about a more efficient use of the Nation's land resources and would protect the interests of future generations by checking erosion and wasteful loss of soil fertility.

It was recognized that in order to develop the program in this direction, it would be necessary to obtain better coordination of the procedures employed for the various commodities, to place less emphasis on the temporarily useful historical base for determining adjustments, and to provide for greater flexibility in adapting the program to local conditions and problems.

In other words, the Agricultural Adjustment Administration was seeking some permanent agricultural program which would benefit both farmers and the public at large. Basically, such a program would rest upon continued development and improvement of research and economic information along lines comparable to those followed in the previous outlook work. Effective cooperation of farmers and public agencies in disseminating this material and preparing local or regional plans would be facilitated through the extensive system of local and county committees set up to administer the commodity-adjustment programs. Plans so prepared would be coordinated on a national basis by the central office of the Agricultural Adjustment Administration. Finally, the procedures developed for regulating production would be used in carrying out these plans.

In the preparation of plans for 1936, much work was done toward changing the program in this direction. Before the plans could actually be put into operation, however, they were abruptly checked by the Supreme Court's invalidation of the general production-control procedure.

IV. THE SIGNIFICANCE OF THE SOIL-CONSERVATION APPROACH

Continuation of the program was assured by the passage of the Soil Conservation and Domestic Allotment Act. The provisions of this legislation and of the plan through which it has been carried out were influenced by what had already been done toward a gradual transition from the emergency undertaking to a long-time program and by immediate considerations arising out of the circumstances at the time.

The procedure adopted was that of promoting general shifts in the use of land from intensive to extensive uses and of encouraging improved farming practices. Emphasis was placed on the immediate value of these adjustments in checking erosion and reducing the rate of depletion of soil fertility. This approach involved restraint upon production of surplus cash crops to the extent necessary for soil conservation, and stressed diversion from soil-depleting to soil-conserving crops as protection against loss of soil fertility.

By providing cash benefits for farmers who diverted land from soil-depleting uses, the program had the incidental but important by-product of encouraging a measure of readjustment in production, principally in the direction of less intensive systems of farming. Such a readjustment involved some reduction in the output of the principal soil-depleting commodities, at least for a time. But to the extent that it brought about improvements in systems of farming, and a more economical use of agricultural resources, it might provide a larger supply of farm produce after the adjustments were established.

This shift to a more general type of adjustment avoided problems which had arisen from the overlapping of the previous commodity plans, and allowed a more effective adaptation to regional and local conditions. Although it still employed the historical base for determining adjustments, the plan could be made much more flexible than before. Moreover, an authorization for payments totaling \$500,000,000 per year contained in the Soil Conservation and Domestic Allotment Act provided nearly the same amount of direct income enhancement for farmers as had resulted from the benefit payments under the Agricultural Adjustment Act of 1933.

All of these changes were in line with the ideas which had been developed regarding the requirements of a satisfactory permanent program. From the standpoint of adjustment procedure, therefore, the soil-conservation program was entirely consistent with long-time objectives. It amounted to a change from a negative to a positive approach to agricultural conservation by encouraging what may be briefly described as "good farming."

The immediate objectives of the conservation procedure, however, were influenced by the circumstances under which it was introduced. Once more these circumstances were those of an emergency, this time an emergency brought about by the abrupt termination of production control. When the new plan was authorized there was very little time to work out the manner in which it was to be applied in 1936. Of necessity, therefore, its detailed provisions were worked out in haste, with little opportunity to develop the full potentialities of the plan.

In this emergency, one important consideration was to protect the income gains already made and to guard against reversion to the situation that existed in 1933. Hence, the benefit payments were looked upon as a means of maintaining farm purchasing power at the higher level that had been attained, and the terms of the plan were influenced somewhat by the necessity of making it possible for all farmers to participate so that this supplemental income might be widely distributed. Moreover, the conditions of payments were determined in part by the insistence of farmers, particularly those outside the drought areas, that the program should maintain sufficient rein upon acreage and production to prevent the reappearance of large supplies, the accumulation of surplus stocks, and the collapse of prices. Both of these influences tended to distract attention from the conservation basis of the plan, and so tended to limit its effectiveness in encouraging the desired long-time adjustments.

The operation of the program was upset in 1936 by another drought even worse than that experienced only 2 years before. Consequently, the program was not significantly modified in 1937, the principal changes being minor and designed chiefly to increase effectiveness in restricting the acreage of particular crops or to provide a better distribution of the cash benefits.

In view of all these considerations, the principal immediate effects of the program in 1936 and 1937 are most accurately stated as: First, the continued disbursement of income benefits in order to maintain the progress already made in reestablishing farmers' incomes at more satisfactory levels; second, the prevention, insofar as possible, of the reaccumulation of excessive supplies and the collapse of prices by

continuing a measure of restriction upon soil-depleting acreage; and finally, a wider adoption of better farming practices in order to check erosion and conserve soil fertility by promoting diversion of land from soil-depleting to soil-conserving uses.

V. NEW LEGISLATION FURTHER CLARIFIES OBJECTIVES

With the removal of direct restriction upon production of specific commodities, acreages of some principal crops expanded significantly in 1937. In large part these expansions resulted from short supplies and high prices brought about by the extreme drought of 1936 after carry-overs had been materially reduced by the adverse conditions in 1934. In the case of other crops, particularly cotton, corn, and potatoes, unusually high yields per acre caused a significant expansion in total supplies even though there was no increase in acreage. The effect in either case, in view of the acreages apparently impending for 1938, was to bring the problem of surpluses again to the fore.

This situation, together with the trends in thought which had developed out of nearly 5 years of experience with the adjustment program, and particularly out of 2 years of experience with severe drought, definitely influenced the character of the new legislation enacted in 1938. Out of the drought experience, in particular, came renewed emphasis upon the adoption of some form of the Ever-Normal-Granary idea as the basis for evening out total annual supplies of major farm commodities. The specific provisions of this legislation have been outlined earlier in this report. They are considered here only for the light they shed upon the further evolution of continuing objectives.

First, and most obvious, is the emphasis which the Agricultural Adjustment Act of 1938 places upon the control of total supplies. The new act in this respect differs significantly from the Agricultural Adjustment Act of 1933. The original act sought control of acreage or production of certain crops; the new act seeks control not of production, or acreage, but of the marketing of surplus supplies, so that the over-plenty of bountiful years may be conserved for years when it may be needed. In order to effect such control of surpluses, the act authorized the establishment of marketing quotas and imposes penalties upon marketings in excess thereof.

The second point of importance, and one which arises naturally out of the first, is that the 1938 legislation gives specific attention to fluctuating yields and prices as causes of economic instability, and definitely establishes the stabilization of annual supplies and prices as one of the objectives of the program. Actually, this objective has been evolving over a considerable period. In the problem of long-time adjustment a most important consideration is that of establishing cropping systems which will promote stability in farming by minimizing fluctuations in acreage and production. A most telling argument in favor of the soil-conservation plan has been that, in encouraging shifts to less intensive crops which are least affected by drought and other yield hazards, it has been moving in the direction of this kind of stability. In other words, in emphasizing by its control

of surplus supplies an Ever-Normal Granary in cribs and granaries, the 1938 act does not remove its emphasis upon maintaining a permanent Ever-Normal Granary in the soil.

A third aspect of the new legislation which helps to clarify objectives is the act's explicit authorization of cash payments for the direct purpose of supplementing farmers' incomes. This has already been described as an important function of virtually all benefit payments. In most cases, however, payments have been conditioned upon performance by farmers and therefore have served also as the means by which adjustment was secured. But as early as 1935 a special class of benefits known as "price-adjustment payments" was paid to cotton growers who participated in the program. These payments were made, not as an inducement to adjust production, but for the specific purpose of increasing incomes. The "parity payment" provision of the 1938 act now authorizes an identical type of payment for corn, wheat, tobacco, and rice, as well as for cotton. To this extent, therefore, the new legislation explicitly recognizes the disbursement of cash income supplements as a purpose of the program.

The fourth feature of the 1938 act which reflects evolution of objectives is the placing of the problem of long-time adjustment in a somewhat different position in the program. In some respects this problem has been made secondary to more immediate and pressing needs. In part this shift results automatically from the renewed emphasis upon controlling surpluses and raising incomes. But to an even greater degree it is brought about by the kind of procedure established, in particular by its comparatively rigid character.

To be effective in dealing with the problem of long-time adjustment, the procedure used should preferably be flexible and adaptable in its application to regional, local, and individual farm conditions. Primarily because it has this adaptability, and because it provides a positive approach to the problem of improving systems of farming, the soil-conservation plan probably has a greater potential effectiveness for obtaining these long-time adjustments than did the original commodity-adjustment plans. In all the earlier plans, the procedures to be followed were not rigidly defined by law. Administratively they could be modified in their application under special conditions. Hence, they were relatively more flexible than the formulas contained in the Agricultural Adjustment Act of 1938. For this reason, further evolution toward flexible long-time planning is in some respects dependent upon continued attention to this matter by Congress.

However, certain other aspects of the present legislation are consistent with further development of a long-time program. For example, the importance of according farmers and their representatives a large place in formulating and administering long-time plans has been continuously emphasized. Through the definite provisions for farmer committees and the placing of specific responsibilities upon them, this importance is now recognized for the first time in the legislation upon which the program is based. Moreover, in its attempt to find a suitable substitute for the historical base, and in its specific instruction that trends be taken into account in the distribution of recommended allotments, the new act contemplates further immediate development of a fundamental nature.

All in all, the legislation now permits, and to a degree requires, changes which should make the program more effective for promoting desirable long-time internal adjustments in farming. In addition, it provides two principal lines of approach to a better marketing adjustment. The first of these is crop insurance, which is made available to wheat growers in 1939. The other is the systematic accumulation of supplies in an Ever-Normal-Granary reserve of corn and wheat to be carried over as a protection against future shortage. This systematic storage is to be accomplished through an elaboration of the commodity-loan plan and its integration with other features of the program, particularly crop insurance and marketing quotas.

VI. OBJECTIVES IN MARKETING AND DIVERSION ACTIVITIES

Up to this point the interpretation of objectives has dealt only with adjustment or, under the new act, with control of supplies marketed. These features have constituted the central features of the program, and, until fairly recently, have been viewed as the principal expression of the adjustment policy. Nevertheless, marketing agreements, licenses, Secretary's orders, and a variety of diversion operations have played important parts in the over-all program.

The evolution of these activities in marketing adjustment has been in marked contrast to that of production adjustment and soil conservation. Certainly it proceeded from a different starting point in 1933. In the original adjustment act, provisions for this line of effort were very brief and sketchy. They provided merely the authority to use marketing agreements and licenses for carrying out the policy of the act and made funds available for expansion of markets and removal of surplus farm products.

The origins of these provisions are traceable to earlier farm relief proposals which contemplated very different procedures. Hence, at the outset of the program there was considerable difference in opinion as to how these provisions should be employed and as to where the emphasis should be placed as between production activities and marketing activities.

Insofar as the various elements of that program were recognized during the earlier phases of operation, marketing adjustment did not have nearly as large a place in the long-time program for agriculture as did the commodity plans. If those leaders who viewed the emergency adjustment efforts of 1933 and 1934 as positive steps toward a permanent program had been directly asked, they probably would have agreed upon the importance of giving marketing a prominent place in any such program; but it is equally probable that up to that time they were thinking largely in terms of production adjustment. Hence, there was no unified view as to the lines along which marketing efforts should be developed.

Under these circumstances marketing and diversion activities, even though playing a steadily larger part, have not played as important a role in the program as the commodity plans. At first there was a tendency to handle each problem as it arose, and highly diversified procedures resulted; but, with the authorization of additional methods and the development of better means of coordination, the scope

of the marketing operations has been extended until they now represent a very significant segment of the Agricultural Adjustment Administration program.

The broad aims of the marketing procedures have been similar to those of the adjustment plans. They have sought to adjust supplies in line with the Ever-Normal-Granary idea by control or diversion of otherwise unmarketable surpluses. They differ from the more general adjustment procedure in that they are more frequently directed toward the solution of special problems of a local or seasonal character, and consequently reveal a greater diversity in immediate objectives and methods of operation.

It is sufficient for the purposes of this chapter to note that each marketing program has been definitely designed to benefit farmers. Hence, the principal immediate objective has been similar to those of production adjustment, soil conservation, and other methods of surplus control.

VII. CONTINUING OBJECTIVES OF THE PROGRAM

In tracing out the purposes of the program in its various stages of development, the preceding sections have revealed how these purposes have been influenced by the circumstances of the times. Since conditions have changed with great abruptness at times, this account tends to emphasize the instability of the immediate objectives. But it also shows clearly how these immediate purposes have been continually linked together in the gradual evolution of underlying ideas which provide a solid framework for the program. These ideas have been subordinated at times almost to the point of being obscured; nevertheless, as the program has continued they have repeatedly emerged as persistent tendencies running through the whole undertaking. These tendencies are significant expressions of continuing objectives in agriculture.

Not all the features of the program through which these objectives are to be attained have been developed or fully revealed as yet, but the objectives themselves are sufficiently clear to be stated. They may be summarized under three principal heads.

INCOME ADJUSTMENTS

As has been noted, enhancement of farmers' income has been a principal immediate objective of the program from the outset. Moreover, all evidence shows that this aim will be continued. Emphasis upon it has increased rather than decreased, and it is by far the most prominent objective in the minds of many who accept the programs as part of national agricultural policy. Therefore, it must be accepted as one of the primary continuing objectives.

It should be remembered, however, that income adjustment includes more than adjustment as between farmers and other groups. There is also a definite tendency to help those within the farm group who are in greatest need of help. Consequently, as the program has developed there has been an increasing tendency, both in the legislation and in its administration, to provide for graduated payments which would favor small producers and would limit payments

to large operators. Measures for the specific relief of drought-stricken areas, and those for the protection of the interests of tenants, are evidence of similar tendencies. Some of these measures have not been carried far, but enough has been done to show the desire to insure certain minimum income to each participant. Furthering these tendencies in a very important way has been the work of the Farm Security Administration, which since its establishment has worked in close cooperation with the Agricultural Adjustment Administration.

Another aspect of income adjustment is that brought out by the Ever-Normal-Granary plan. The aim in this connection is stabilization, which represents possibly the most important development of objectives under the Agricultural Adjustment Act of 1938. So far the most prominent emphasis on this objective has had to do with smoothing out the more sporadic year-to-year variations in prices, particularly those which result from fluctuating yields. Attention is being directed toward the possibility of doing this by carrying over excessive supplies from one season to another as a reserve against future shortage.

A parallel procedure is directed toward evening out intraseasonal variations in price which result from unavoidable seasonal variations in supplies. This procedure is exemplified by the butter stabilization plan. By buying butter during the flush period of the year when prices are low and making supplies available on a cost-plus basis to the trade during the winter months when supplies are short, the program brings greater stability to butter prices and eliminates the extremely low prices of periods of peak production when buyers move large quantities into storage. For the consumer, this procedure assures a plentiful supply of reasonably priced butter at all times by providing for the release of supplies when stocks are low and extremely high prices are imminent.

Another newly developed stabilizing effort is that provided by crop insurance. A broad plan for insuring crop yields should mitigate the effects of crop failure upon the incomes of individual farmers, and contribute effectively to the Ever-Normal-Granary objective.

Still another approach to the problem of achieving greater agricultural stability is that of promoting permanent adjustments toward systems of farming which are best adapted to particular local conditions and which minimize the effects of varying weather and other yield hazards.

SOIL CONSERVATION AND EFFICIENT FARMING

Less easily discernible than income adjustment in current activities, but of equal importance as continuing objectives, are those relating to long-time internal adjustments in farming. Although never actually in the ascendancy, these have been continually present, and at times have been most influential in determining the lines along which the program has developed.

The character of these objectives should be clear from a review of their evolution. In general they relate to the promotion within agriculture of permanent adjustments which will enable the industry to make its greatest possible contribution to the national well-being

by furnishing the most economical supplies of farm products that can be produced with existing resources.

Most economical does not mean largest or cheapest supply that could be produced within any 1 year. Such a supply would not be truly economical because it would be far in excess of what was needed and could be produced only by using labor and other resources which might be used far more advantageously otherwise. Moreover, it would require the wasteful exploitation of resources which would be of more value to society if reserved for some future time. Economical supply, as the term is used here, means a supply produced by the most efficient methods and through the use of land and other resources best adapted to its production. It also means a supply balanced with supplies of goods other than farm products, so that those who produce the supply receive a return equal to what they could earn in any other industry. Finally, to be economical, a supply must represent a proper balance between present and future needs. It is not economical if produced with resources which should properly be conserved for the future.

The specific objective of conserving soil resources which has been emphasized during the past 2 years relates to one aspect of this problem. Efficiency in farm operations, adequate supplies for consumers, the planned use of land, and similar terms are often used to distinguish other specific goals. But from whatever angle these goals are approached, it is clear that they all relate to particular aspects of this general problem of long-time adjustment.

DEMOCRATIC PLANNING AND OPERATION

The movement towards agricultural planning has been going on for many years. Up to 1933 it had developed farthest in the educational programs of the Department of Agriculture and allied agencies, particularly in connection with the annual outlook work. In the agricultural adjustment and soil-conservation programs, planning had advanced to what may be called the action stage. Previously, the plans that were formulated could be carried out only by individuals assisted by education and advisory guidance. With the approval of the first adjustment legislation, planning was inaugurated on a much broader scale.

Under the provisions of the successive legislative enactments, the Secretary of Agriculture, and through him the Agricultural Adjustment Administration, has been given a mandate to undertake immediate action. The methods which can be employed and the limits within which they can be applied have been prescribed by Congress. But particularly in the early years of operation, this authorization has been so broad as to leave a wide latitude for administrative decision, both in formulating plans and in determining how they should be carried out.

To this extent the Agricultural Adjustment Administration has been established as a central agency to undertake planning on an action basis. Administratively, the immediate objective necessarily has been to develop a program which would carry out effectively and efficiently the policy established by Congress.

It has been the belief of the Administration that planning can not be carried out effectively and economically unless the farmers themselves understand the whole idea involved. Moreover, the methods employed must be practical according to farmers' own standards, and these standards can hardly be met unless farmers share much of the responsibility for determining what the program is going to be. This means getting the whole body of farmers to think and act for themselves, and implies a unity of attitude that can result only from an understanding of the facts involved.

From this point of view it is not sufficient that the legislation itself be democratically enacted. The actual formulation and administration of the programs must also be carried out in a democratic manner, with the farmers themselves actually taking part in the process of planning and policy making. Hence, the Agricultural Adjustment Administration has attempted to use the latitude given it by the legislation as a means of sharing its responsibility with the farmers themselves. In this way it has sought to promote co-operative relationships through which constructive economic plans for agriculture may be developed through methods in complete harmony with the principles of democracy.

Even in the emergency period, when decisions had to be made promptly in order to carry out the specific intent of the law that action be taken at once, these decisions were made insofar as possible in consultation with representative farmers. In succeeding periods continuous attention has been given to developing methods for securing the most effective participation of farmers in the administrative process.

At first this sharing of responsibility with farmers and their representatives was possible because of the wide administrative latitude given the Secretary of Agriculture, rather than because it was directly authorized by the adjustment legislation. But just as recent enactments have tended to reduce this latitude by specifying in more detail the procedures to be applied, so there has been a parallel tendency to incorporate provisions for specific forms of farmer representation and for assignment of definite administrative responsibilities to these representatives. As a result, the underlying idea of developing farm programs on a permanently democratic plane is now fully apparent in the legislation on which these programs must be based.

CHAPTER 5

EFFECTS OF THE ADJUSTMENT PROGRAM ON PRICES AND INCOME

During the past 10 or 12 months, the Agricultural Adjustment Administration, in making preparations for this report, carried out economic studies along several lines. Among them, and paralleling an attempt to measure the effects of conservation on soil fertility, was a statistical analysis of the effects of the adjustment programs on farm income. Economists of the Agricultural Adjustment Administration and the Bureau of Agricultural Economics worked together in making the study. Tentative estimates are presented in this chapter of the effects of the adjustment and conservation programs on the income of producers of certain major commodities: Wheat, corn, livestock (hogs, cattle, and sheep), and several kinds of tobacco.

Despite certain limitations inherent in this approach, it is believed that it will prove of real value in pointing the way to studies of the comparative value of alternative farm programs. This is important because all indications point to a continuing need for a national farm program, and administrative leaders and Members of Congress in the future may be a great deal more interested in measuring comparatively the advantages of different farm plans than in measuring absolutely the income benefits of any one plan.

I. ASSUMPTIONS UNDERLYING THE EVALUATIONS

An interesting and instructive aspect of these statistical studies of the income effects of the A. A. A. programs is found in the assumptions that had to be made before the statistical method could be applied. Because precise measurements of the income effects of the farm programs were desired, these assumptions had to be worked out and their exact nature revealed. When the assumptions are listed and examined they shed as much light as the figures themselves on the work of the programs that have been carried out by the farmers through the A. A. A.

The attempt to measure the effect of a farm commodity program upon the income of the producers of that commodity is really an effort to estimate in dollars and cents the difference between the income that they got with the program and the income that they would have got without a program.

So the nature of the first broad assumption to be made before working out the estimates becomes readily apparent. It is that other conditions would have been the same with or without a program for the commodity in question. Numerous further assumptions have to be made but this first one is basic.

Its significance is emphasized by the second assumption which follows immediately from it. This is the assumption that recovery from the depression would have occurred whether or not there had been a farm program for the farm commodity concerned.

The adjustment operation for each of the farm commodities was in fact just one part of the vast business, employment, and agricultural recovery program launched by the Federal Government. With this broad program the Government did what it believed had to be done to prevent the collapse of the Nation's economic system. The adjustment plan for the one farm commodity being studied probably never would have been used except as a part of the general recovery program, and the launching of the general recovery program once determined upon made it practically sure that the producers of each one of the great basic farm commodities would be offered an adjustment plan. The adjustment plan for the commodity and the general recovery program, therefore, were probably inseparable, in actuality.

Whether there would have been economic recovery without any national recovery program or whether the economic system would have gone further and further into collapse is a question which a study limited to one farm commodity or a group of farm commodities does not attempt to answer. And, although it may be true that without a general economic recovery program, a separate program for the individual farm commodity in question would have been highly unlikely, this probability also is left out of account.

In other words, in making these studies, the economists have not tried to answer either way the questions about these probabilities. They have simply made their studies in the light of the fact that recovery did occur, and of the fact that the program for the farm commodity studied did exist. Corollaries to the assumption that general economic recovery would have taken place precisely as it did are the further assumptions that farm programs would have existed for all basic commodities except the one for which estimates of income without any program are made, and that therefore there would have been a general rise in farm income and in the power of producers of other farm commodities to buy the one farm commodity being studied.

The rise of consumer income which accompanied the recovery program, and which in itself was sufficient to lift the income of many farm commodities, especially livestock products, is also assumed.

The painstaking work of economists in attempting to work out close estimates of the income effects of plans for some farm commodities brings out more than just the figures. Six years after the launching of the Government's recovery program, the far-reaching effects of that program have to be assumed as a starting point for a study of the results of any one part of that program. And the other assumptions that have to be made show the close relationships between the income problems of city and country and of producers of different farm commodities.

The estimates of the effects of the farm plans on the income of the producers of the several commodities listed are of course very much smaller than they would be if the basic assumptions had been contrary to those actually made. It is perhaps surprising that, starting on the basis of such assumption, the results shown should

be as large as they are. The methods employed apply the severest and most meticulous statistical test, and still the value of the farm program in terms of farm income is shown.

II. CONDITIONS AND LIMITATIONS OF THE ANALYSES

Under the original commodity adjustment programs, income enhancement was sought in large part through efforts to adjust acreage, production, and market supplies, and to raise prices. The distressed condition of agriculture generally was held to be due in large part to the accumulation of burdensome surpluses, the pressure of which was keeping the prices of farm products and the income of farmers at levels which not only were ruinous to agriculture but also constituted a serious barrier to general economic recovery. Since the demand for many important farm products is relatively inelastic, the most effective way of restoring agricultural purchasing power was so to adjust production as to bring supplies to a level corresponding to the requirements of normal domestic consumption and probable export demand. But inasmuch as the competitive situation in agriculture was not such as to enable individual producers without concerted action to make rapid downward adjustments on a large scale, an acreage control program involving the simultaneous cooperation of a large majority of the producers of basic commodities was put into effect in 1933. This approach continued in operation until January 1936, when the act under which the programs were formulated was declared unconstitutional.

With the invalidation of the original Agricultural Adjustment Act and the substitution therefore of the Soil Conservation and Domestic Allotment Act, conservation became the primary objective of the program. Such income effects as resulted from this program came about in either of two ways: By payments made to producers for shifting the use of land from soil-depleting to soil-conserving crops or practices, or by price enhancement resulting from such incidental adjustments of the basic crops as were effected by the conservation program.

STUDY LIMITED TO 4 MAJOR COMMODITIES

This chapter presents in summary form the results of preliminary analyses of the effects on prices and gross incomes of those phases of the program which involve: (1) Adjustments in wheat, cotton, corn, hogs, and tobacco, 1933-36, and under the conservation programs in 1936 and 1937; (2) purchase and loan and subsidy programs applying to these commodities, and to cattle and sheep; and (3) payments made to producers cooperating in specified programs, from funds partly collected through processing taxes or advanced as grants-in-aid out of direct appropriations under the conservation program. A general evaluation of the experience with commodity purchases; surplus diversion; and marketing agreements, licenses, and orders, for dairy and poultry products and general crops is undertaken in chapter 7.

An appraisal of the price and income effects of all commodity programs and of the agricultural program as a whole is essentially a long-time research project transcending the scope of this chapter.

The findings with respect to the four major commodity programs which are summarized below can only be considered as a first step.

In making the estimates pertaining to each of these commodities, it was necessary (a) to determine the production, carryover, total supplies, domestic demand, foreign demand, prices, and incomes for the commodity which probably would have prevailed in the absence of the benefit payments and program for that commodity, and (b) to compute the difference between these estimates and the corresponding actual figures for the period in order to arrive at an estimate of the effects of the program on the commodity. Since the best procedure to follow depends partly upon the characteristics of the commodity, and partly upon other considerations, no attempt has been made to attain complete uniformity of treatment for the several commodities.

In every case, however, an attempt has been made to isolate those changes in prices and income attributable to the adjustment program as such. This, obviously, can not be done in an unequivocal way, as other important factors affecting prices and income were operating concurrently with the program, and existing statistical technique is not adequate to the task of measuring the influence of the several factors with precision.

WEATHER AN OBSCURING FACTOR

One of the important obscuring factors was the unusual weather conditions which prevailed during part of the period covered. Had these not been present, the effects of the adjustment programs would have been materially different from what they were. Instead of rising rapidly to levels so high that declines were inevitable as soon as the effects of drought wore off, prices would have gone up more gradually to more moderate and stable levels. Actually, unfavorable weather did to production, to an extreme degree, what the programs had been intended to do more moderately. No attempt has been made to evaluate the probable accomplishments of the presence of the normal conditions they were designed to meet, with weather conditions different from those actually encountered, since this would have introduced too large a measure of conjecture into the assumptions upon which the analyses rest. Another big factor which eludes precise measurement is, of course, as already emphasized, the Government recovery program, including the monetary and industrial policies which influenced price levels and business activity and had their repercussions in the agricultural sphere.

INDIRECT GAINS NOT CONSIDERED

It should be noted also that the use of estimates of gross income does not furnish a fully accurate indication of the extent to which the program may have affected the well-being of farmers. Since net incomes are more important than gross, the analysis would have to indicate the effects of the programs upon production costs. But the benefits accruing from reduced costs are even more difficult to appraise than those from price enhancement. Reliable estimates can not now be made. However, logical considerations, supported by such evidence as is readily obtainable, indicate that insofar as the program curtailed production it effected savings in immediate cash

expenses. But these savings probably were not in proportion to the reduction in acreage.

In addition to the direct income benefits which farmers received from the program, certain indirect benefits arose from the conservation of their soil resources as a result of the several programs, and from improvement in general economic conditions, which in turn received a positive stimulus from the anti-deflationary influence of the adjustment program itself.

To the extent that farmers reduced their acreage of soil-depleting crops, especially corn, wheat, and cotton, and to the extent that they were encouraged to shift this acreage to soil-conserving crops or to uses which caused a smaller drain on their soil resources, the values of their farms were enhanced. No exact measure of the gain attributable to this factor can be obtained, but it is certain that farmers who cooperated in the conservation programs in 1936 and 1937 obtained a real benefit in this connection.

Nor can the magnitude of the gains due to the effect of the programs upon the general business situation be reliably estimated in a study with so limited a scope as this one. It should be noted, however, that one result of choosing this basis for analysis of the effect of the several programs is practically to assume a general economic recovery, whereas no such recovery might have occurred at all except for the general program of which the farm program was an important part. Once such recovery is assumed, however, one effect of the assumption is to make income benefits from the farm program appear to grow smaller as the depression gets further into the past.

Finally, a complete evaluation of the program would take into account both the effect of the adjustment of supplies upon wage-earners and businessmen, and the effect of higher prices upon the cost of goods to consumers. Neither of these effects is adequately dealt with in the present discussion, which is directed primarily toward the problem of estimating the effects upon farm prices and gross income to farmers.

In view of the foregoing considerations, the estimates which follow, although stated in terms of pounds and bushels, and dollars and cents, are to be regarded not as precise measurements but as general and tentative approximations.

III. CORN AND LIVESTOCK

The diverse group of activities relating to corn and livestock have included production adjustment for corn and hogs; Government purchases of cattle, hogs, and sheep; corn loans; and acreage adjustments for major feed crops.

During the period from 1933 through 1936 it appears that the various A. A. A. programs resulted in a substantial increase in the cash income of livestock producers as a group. The results of this analysis indicate that during the 4 years the cash income from hogs, cattle, sheep, and lambs was about 784 million dollars, or 14 percent, greater than it would have been in the absence of the A. A. A. programs. It is estimated that the A. A. A. programs resulted in a net increase in the cash farm income from corn, after deducting sales

to farmers, of about 27 million dollars. This analysis, however, provides no basis for indicating what the results of the programs would have been if the level of national income had not been lifted by the recovery from the depression. Since farm income from the marketing of livestock tends to rise in direct ratio to the rise of consumers' buying power, the national recovery was an exceedingly important factor in the improvement of farm income from sale of livestock. If there had been neither a national recovery program nor any part of that program for the corn and livestock growers, their income might have been far lower than it was, but this study does not make allowance for that factor. Neither does it provide a basis for indicating what the results of the programs would have been if the severe droughts of 1934 and 1936 had not occurred.

The following table shows the reported cash farm income from meat animals, including Government payments, and the estimates of what the income would have been without the A. A. A. programs for the years 1933-36. It will be noted from this table that the gain in income resulting from the programs was greater for hogs than for cattle. There was some increase in income from hogs in each of the 4 years, but most of the increase in the income from cattle and calves was in 1934, when the bulk of the purchases of cattle by the Federal Government for drought relief was made. In 1934, the increase in income from cattle resulting from the A. A. A. programs was the greatest for any one species of livestock in a single year. The large increase in income of livestock farmers in 1934 resulting from the A. A. A. programs was especially timely, in view of the severe drought over wide areas in that year.

TABLE 15.—*Estimated cash farm income from meat animals with and without the A. A. A. programs, 1933-36*

[Figures in millions of dollars, i. e., 000,000 omitted]

Year	Estimated income ¹ from meat animals reported	Estimated income without A. A. A. programs	Gain in income resulting from programs			
			Hogs	Cattle	Sheep and lambs	Total
1933.....	1,057	991	66	-----	-----	66
1934.....	1,472	985	182	298	7	487
1935.....	1,922	1,787	121	14	-----	135
1936.....	2,098	2,002	96	-----	-----	96
Total.....	6,549	5,765	465	312	7	754

¹ Includes benefit payments and payments for purchases of cattle, hogs, and sheep.

CORN AND HOGS

Three factors associated with the A. A. A. programs contributed to the enhancement of the cash income of corn and hog producers for the years 1933-37. These were (1) benefit payments, (2) gains resulting from changes in hog supplies, and (3) gains from sale of corn for industrial uses.

The changes in supplies were brought about partly by surplus purchases of hogs and hog products and partly by the production adjustment programs for corn and hogs. On the average, it is esti-

ated that the production adjustment programs were responsible for about half of such changes. The relative effects upon hog supplies of surplus purchases and production adjustment in each of the 4 years (1933-36), however, were much different from those for the entire period.

Briefly summarized the estimated changes in total cash income of corn and hog producers which resulted from the various parts of the A. A. A. programs for the years 1933 through 1936 appear to be about as shown in table 16.

TABLE 16.—*Estimated changes in total cash income of corn and hog producers resulting from A. A. A. programs, 1933-36 inclusive*

	<i>Millions</i>
Total benefit payments on corn and hogs (includes payments for purchases of pigs and sows in August and September 1933)-----	\$519
Net tax collections on corn and hogs-----	260
Net Government payments-----	259
Estimated amount of hog processing tax absorbed by farmers-----	239
Total collections less absorption by farmers-----	21
Gain to farmers because of changes in hog supplies caused by A. A. A.-----	185
Gain to farmers in cash income from sale of corn for industrial uses resulting from A. A. A. loans, production control, etc-----	27
Net Government payments-----	259
Total gain-----	492

The figures in the foregoing table should not be considered unequivocal as they are based upon quantitative analyses of hog prices and incomes which are not as precise as one might wish. Thus the figure of \$21,000,000 is a balance item. It is that part of the total gain remaining after gains due to particular parts of the programs had been allocated, and it is presumed to represent the amount of total tax collections on both corn and hogs which was not borne by producers.

It may be noted that the estimates shown above check fairly closely with a study of the incidence of processing taxes prepared by the Bureau of Agricultural Economics,⁵ in which it was concluded that the processing tax on hogs was borne almost entirely by hog producers, and that little or none of the processing tax on corn was borne by farmers. Since the net tax collections on corn were \$12,000,000 this amount may be deducted from the \$21,000,000 balance item, leaving only \$9,000,000, or 4 percent of the net hog processing tax collections, as representing hog taxes not absorbed by farmers.

No attempt has been made to estimate the effect of the conservation programs in 1936 and 1937 upon corn and hog production and income therefrom. Neither the corn nor hog programs were continued after the Supreme Court decision invalidating the acreage control and processing tax features of the Agricultural Adjustment Act of 1933. Instead, corn was included along with such other soil-depleting crops as wheat, oats, and barley in a general soil-depleting base in 1936.

⁵ "An Analysis of the Effects of the Processing Taxes Levied Under the Agricultural Adjustment Act," prepared by the Bureau of Agricultural Economics and published by the Bureau of Internal Revenue, 1937.

In 1937, corn was again included in the soil-depleting base, although a corn acreage limit was established within this base in order to keep too large a portion of the acreage from being devoted to corn. Altogether, it is probable that the conservation program operated in both 1936 and 1937 to restrict the acreage of corn somewhat, which in turn affected corn production, and to some extent hog production. It is doubtful, however, if these programs materially affected income received except to the extent that the conservation payments represented a net addition to farm income in the corn and hog-producing areas in both 1936 and 1937.

This segregation of the effects of the various parts of the A. A. A. programs for corn and hogs helps to clarify the influence at work, but it does not lead to the conclusion that the separate parts were necessarily good or bad. The program for corn and hogs was an integrated one, each part depending upon and being determined to a considerable extent by other parts. For example, in order to finance a program for production adjustment it was deemed necessary to levy a processing tax on hogs. In order to levy a processing tax and at the same time not reduce hog prices or farm income from hogs, surplus purchases of hogs and hog products appeared to be necessary. The ultimate goal of the programs was to increase incomes of corn and hog producers. This was accomplished, even though some of the separate elements appeared to offset each other.

EMERGENCY CATTLE AND SHEEP PURCHASE PROGRAMS

As an emergency measure to aid cattle producers during and following the unprecedented drought of 1934, the Agricultural Adjustment Administration from June 1934 to February 1935 purchased 8,280,000 head of cattle and calves in drought stricken areas of 24 States. As a result, the commercial slaughter of cattle and calves was materially smaller in 1934 and slightly smaller in 1935 than it would have been had there been no emergency purchase programs. Prices paid by packers on the other hand were materially higher in 1934 and slightly higher in 1935 than they would have been without the programs.

On the basis of the average relationship of cash farm income to packer payments, it is estimated that without the program cash farm income in 1934 would have amounted to only \$400,000,000 as compared with the \$592,000,000, exclusive of Government payments, actually received. For 1935, it is estimated that cash farm income would have been slightly lower than it actually was, i. e., about \$885,000,000 instead of the \$893,000,000 actually received.

In addition to this total net gain of \$200,000,000 attributable to supply adjustments, there was an additional gain of \$112,000,000 paid by the Government for cattle purchased and as benefit payments. This sum was distributed to producers roughly in proportion to the severity of the effect of the drought on livestock. The remainder, in the form of increased cattle prices, accrued to cattle producers generally.

No shortage of beef resulted from the Government purchase program. Commercial supplies from 1934 to 1936 were considerably larger than average. The apparent consumption of beef and veal

produced under Federal inspection, excluding beef and veal distributed to relief clients, totaled about 5,600,000,000 pounds in 1934, 5,300,000,000 pounds in 1935, and 6,000,000,000 pounds in 1936, compared with a 10-year (1924-33) average of 5,100,000,000 pounds, dressed weight.

From mid-August through December 1934, the Agricultural Adjustment Administration purchased as an emergency drought relief measure about 3,610,000 sheep in 20 States west of the Mississippi River.

To what extent commercial sheep slaughter would have been increased in 1934 if no sheep had been purchased by the Government can hardly be estimated. Because of low prices prevailing in 1934, it is doubtful that the increase in sheep slaughter in 1934, if there had been no purchases, would have been as large as the 1,350,000 head slaughtered under Federal inspection for Government account. It is possible, however, that if there had been no purchases of sheep, marketings of lambs from the western States would have been larger than they were. This might have occurred because the short supplies of feed would have made necessary some reduction in the total number of sheep and lambs in some areas.

If there had been no Government purchases of sheep in 1934, with marketings of both sheep and lambs larger than they were, prices paid for both sheep and lambs would have been lower than prices actually paid in 1934. Whether the total amount paid for sheep and lambs in 1934 would have been larger or smaller than the total amount actually paid for commercial supplies in 1934 can hardly be determined. Assuming that the increase in marketings would have been offset by the lower prices, the total amount received by producers from the sale of sheep and lambs would have been about the same as the amount received in 1934 for sheep and lambs sold commercially. Hence, it may be concluded that the gain in the income of the sheep and lamb producers resulting from relief purchases in 1934 was about equal to the \$7,000,000 expended for sheep purchased by the Federal Government.

IV. WHEAT

The Agricultural Adjustment Act of 1933, as subsequently amended and supplemented by other acts, made provisions for the following activities with regard to wheat: (1) Acreage adjustments with payments to producers, (2) removal of surpluses, (3) processing taxes, and (4) commodity purchases. The programs were carried out under very abnormal conditions and only a part of the data available lends itself to quantitative treatment. As a result, the estimates given in this section should be considered only as approximations, rather than as accurate measurements. The significance of this analysis for appraising acreage-adjustment programs is severely limited because drought in 1934 and 1936 and rust conditions in 1935 forced drastic changes in the provisions of the program, which tended to nullify the results which the original program might have obtained.

Table 17 summarizes the estimated effects of the programs on income to wheat growers.

TABLE 17.—*Estimated cash income to wheat growers with and without programs, 1933-37*

[Dollars in thousands, i. e., 000 omitted]

Year	With programs	Without programs	Total gain	Income with program as a percentage of income without program
				<i>Percent</i>
1933-34-----	\$378, 116	\$273, 505	\$104, 611	138. 2
1934-35-----	403, 018	329, 145	73, 872	122. 4
1935-36-----	471, 446	362, 852	108, 594	129. 9
1936-37-----	¹ 444, 053	443, 620	433	100. 1
1937-38-----	¹ 650, 076	644, 457	5, 619	100. 9
Total-----	2, 346, 709	2, 053, 580	293, 129	114. 3

¹ Does not include soil conservation payments accruing to wheat growers.

Because of drastic modifications mentioned above, the cash gains attributable to the programs are, for the period as a whole, traceable primarily to the benefit payments made in connection with the production adjustment programs. These payments totaled \$315,800,000 for the 3 years, 1933-35. No payments were made for wheat acreage adjustment in 1936-37 and 1937-38, wheat being only one of the several soil-depleting crops.

Partly because of the droughts and partly because of the relaxation of contract requirements in order to alleviate hardships arising out of the droughts, acreage contraction attributable to the programs was small. It is estimated that the programs were responsible for a reduction of about 35,000,000 bushels in 1934, 10,000,000 bushels in 1935, and an increase of 5,000,000 bushels in 1937. The increase in this latter year is due to the fact that under the conservation programs cooperators were permitted to expand wheat acreage provided they curtailed their acreage seeded to other soil-depleting crops. Negative influences upon income have been assigned to the production-adjustment phases of the program in 1934 and 1935 because it appears that increases in income resulting from increased price did not offset the reduction in income resulting from a reduced quantity for market.

In addition to supply changes, the programs exerted some influence upon price by reason of changes in stocks consequent on changes in the disposition of flour, feed, and seed. These changes were caused by such things as the subsidization of exports and shipments in 1934-35 and 1935-36, increases in stocks attributable to reduced flour production following the imposition of processing taxes, which were partially offset by flour purchases on the part of the Federal Surplus Commodities Corporation, the diversion by the Corporation of 8,000,000 bushels of wheat into feed uses in 1934-35, and decreased seedings in the fall of 1933 and the spring of 1934 attributable to the adjustment program. On the whole, however, the net influences on price, though largely positive, were small.

V. COTTON

The measures which have been employed by the Agricultural Adjustment Administration with respect to cotton have included acreage

adjustment, marketing quotas, benefit and price adjustment payments, Government loans, and processing taxes. The problems involved in estimating the effects of these operations are exceedingly difficult. Not only do they include those common to price and income analyses in general, but with respect to cotton they are especially complicated by the fact that considerations relating to competitive foreign supply and demand are of greater importance than in the case of any other commodity considered in this chapter.

Many factors other than the program of the Agricultural Adjustment Administration have influenced the course of cotton production in foreign countries and the consumption of United States cotton in foreign markets. Difficulties inherent in the complex problems of analyzing these influences preclude the possibility of absolute proof. Much depends upon the judgment of the individual investigator as to what methods shall be employed or what interpretations shall be made, and hence there is a very considerable range in the estimates yielded by different analyses.

The particular study upon which this discussion is based assumes that the results of the program have been materially affected by the tendency of foreign producers to increase their acreage in response to significant increases in the price of cotton. It can be argued on somewhat different bases that this effect has been greater than is shown by the estimates used here. On the other hand it also can be argued that the actual influence on foreign production has been much smaller, and some studies have been made within the Agricultural Adjustment Administration which indicate that it may have been quite small.

THE METHOD OF APPRAISAL USED

The procedure followed in this study is that of first estimating what the supply, including both production and carry-over, would have been in 1933-34 if no program had been undertaken, and then using these estimates as the basis for computing the prices and incomes which cotton producers probably would have received under these circumstances.

These estimates of supply are used as the basis for estimates of the prices of cotton and cottonseed,⁶ which would have been received if no program had been undertaken and from these, together with the estimates of production, a comparable estimate of income is derived. In this calculation it is assumed that all of the lint produced would have been sold in any case, but it is necessary to estimate the probable quantity of cottonseed that would have been sold had the larger crop been produced.

A similar procedure is followed for each of the four succeeding years included in this analysis. For each of these seasons, however, it is necessary to estimate what the carry-over from the preceding season would have been in the absence of a program. This in turn necessitates estimates of probable consumption at the lower prices which would have prevailed. Moreover, the problem of estimating

⁶ In the correlation analyses used in estimating cottonseed prices only domestic supply and demand factors were used, although in certain years adjustments were made to allow for changes in foreign supply and demand factors as they seemed to have affected United States prices of cottonseed.

acreage, yield, and production in the United States and foreign countries is considerably more complicated for these seasons than for 1933-34 when most of the acreage had been planted before the program was placed in operation.

In making these estimates separate statistical analyses were used for the United States, India, Egypt, and Brazil.

ESTIMATED EFFECTS OF THE PROGRAM

Estimates of the influence of the programs upon total income from cotton and cottonseed are shown in table 18.

TABLE 18.—*Estimated total income from cotton and cottonseed, including benefit payments, with and without adjustment programs, 1933-34 to 1937-38*

[Dollars in thousands, i. e., 000 omitted]

Marketing season	Without program	With program	Income with program as a percentage of income without program
			<i>Percent</i>
1933-34.....	\$625, 800	\$858, 179	137. 1
1934-35.....	636, 230	850, 715	133. 7
1935-36.....	686, 103	855, 449	124. 7
1936-37.....	913, 830	992, 062	108. 6
1937-38.....	809, 028	990, 100	122. 4
Total.....	3, 670, 991	4, 546, 505	123. 8

These preliminary estimates indicate that under the program the total income received by cotton growers was materially larger in each season than it would have been in the absence of the program. This gain ranged from \$232,000,000, or about 37 percent, in 1933-34 to \$78,000,000, or roughly 9 percent, in 1936-37. The total gain in income for the entire 5 years was approximately \$876,000,000; total income, therefore, was about 24 percent more than the estimate of what it would have been without any feature of the program.

These estimated gains are attributable to the price enhancement accomplished by the restriction of production and by the cotton loans, and to the various types of payments made. For the 5 years combined the actual weighted average farm price of lint was 34 percent higher, the actual average production was 20 percent smaller, and the gross farm income from lint 7 percent larger than the estimates of the average price, production, and income without the programs. In the case of cottonseed, the actual prices were sufficiently higher than the estimated prices in each of the 5 years to result in an actual cash farm income from this product higher each year than the estimated income without the programs, and for the 5 years combined cash farm income averaged 11 percent higher.

Gross cash farm income from cotton and cottonseed for the entire 5-year period (excluding Government payments but including the effects of the higher prices and higher incomes resulting from the loan programs) was approximately \$3,900,000,000. This was 7 percent larger than the estimated income, approximately \$3,700,000,000, from lint and seed without the programs.

A definitive analysis of the effects of the cotton program would require measurement of the relative effects of loans and production adjustment. For lack of any satisfactory basis for separating these effects, no attempt was made to separate loan and adjustment influences until 1937. In that year the influence of the loan policy was more discernible and an income gain of approximately \$142,000,000 has been assigned to that factor.

Table 19 contains annual estimates of income from cotton and cottonseed, excluding benefit payments with and without a program.⁷

TABLE 19.—*Estimated gross cash income from lint and cottonseed, excluding benefit payments, with and without adjustment programs, 1933-34 to 1937-38 (analysis I)*

[Dollars in thousands, i. e., 000 omitted]

Marketing season	Without program	With program	Income with program as a percentage of income without program
			<i>Percent</i>
1933-34.....	\$625, 800	\$678, 525	108. 4
1934-35.....	636, 230	734, 915	115. 5
1935-36.....	686, 103	695, 240	101. 3
1936-37.....	913, 830	905, 682	99. 1
1937-38.....	809, 028	918, 000	113. 5
Total.....	3, 670, 991	3, 932, 362	107. 1

ESTIMATED EFFECTS BY A MODIFIED ANALYSIS

In the presentation of the foregoing analysis, it was recognized that the complexity of the factors affecting cotton and the lack of precision in the statistical analyses designed to isolate these factors, require the injection of individual judgment at various points. Valid differences of judgment with respect to the importance of certain factors lead to considerable differences between estimates of the effect of the cotton programs upon income.

Because cotton is a commodity with respect to which there are wide differences of opinion on such matters as the elasticity of the supply-price curve, the relation between price and consumption, and the effects of price upon output, it seems desirable to indicate how certain rather small shifts in assumptions may affect appreciably the estimates of income gains from the cotton programs.

Following is an analysis which departs in two important particulars from the one preceding. The first departure involves the utilization of a somewhat more inelastic supply-price curve taken from another study, and believed to be a reasonably accurate relationship. The second departure involves the assumption that the portion of the increased world consumption of American cotton attributable to the check which American competition might have placed on foreign production in the absence of cotton programs was approximately half as great as appears to be assumed in the first analysis. The assumption, in the absence of a program, of a smaller effect on foreign com-

⁷ Attention is called to the fact that comparative incomes with and without the program were more favorable to the program in the first year or two than subsequently. This tendency is in part due to lags in the response of supply factors to the price stimuli of the programs. The statistical analyses involving the effects of foreign cotton supplies were worked out in a way which takes lag influences into account.

petition than appears in the first analysis is introduced because a number of competent analysts believe that the influence of the American cotton program on foreign supplies was not as great as assumed in the first analysis.

Assuming that the income from seed would not have been substantially different from the estimates yielded by the first analysis, combined income from lint and seed would have been as shown in table 20.

TABLE 20.—*Estimated gross cash income from lint and cottonseed, excluding benefit payments, with and without adjustment programs, 1933-34 to 1937-38 (analysis II)*

[Dollars in thousands, i. e., 000 omitted]

Marketing season	Without program	With program	Income with program as a percentage of income without program
			<i>Percent</i>
1933-34.....	\$617, 800	\$678, 525	109.8
1934-35.....	582, 280	734, 915	126.2
1935-36.....	655, 162	695, 240	106.1
1936-37.....	865, 882	905, 682	104.6
1937-38.....	799, 434	918, 000	114.8
Total.....	3, 520, 558	3, 932, 362	111.7

Here an average income gain of approximately 12 percent is attributed to the influence of the programs as compared with approximately 7 percent in the first analysis. Including benefit payments, this would represent a gain of 29 percent instead of 24 percent. However, the fact that these two analyses show an appreciable difference in income estimates for the period as a whole should not obscure a basic similarity, namely, that the gains from the program decline over time. Further extension of both analyses would tend to bring their results closer together.

VI. TOBACCO

In an analysis of benefits to tobacco growers resulting from the operation of adjustment and conservation programs, problems must be considered which do not permit of precise answers. Therefore, the estimate of benefits may vary depending upon the relative importance assigned to the several price-making factors, but it is generally agreed that tobacco growers have realized substantial income benefits from the programs of the Agricultural Adjustment Administration throughout its period of operation.

During the commodity adjustment phase of 1933-35, the central element in the program as it applied to the principal types of tobacco was the same combination of processing taxes, benefit payments, and producer contracts that was applied to most other basic commodities. A distinctive feature in 1933 was a series of marketing agreements negotiated with the principal domestic manufacturers, who agreed to purchase in the 1933 marketing season specified minimum quantities of the types covered, at prices which would average up to or above specified levels. For some kinds of tobacco, these agreements covered substantial percentages of the whole crop. In other instances, they applied chiefly to low grades and insured byproduct outlets for this tobacco at stipulated minimum prices.

Since invalidation of the production-adjustment approach, tobacco growers have participated in the general agricultural conservation program. This program has provided for special acreage allotments and rates of payment with respect to tobacco. For fire-cured and dark air-cured tobacco it has been supplemented by Government loans, and byproduct diversion activities.

In appraising the effects upon prices and incomes received by tobacco producers, it is necessary to consider separately those kinds of tobacco which have such different characteristics that they may be substituted for one another to only a very limited extent, if at all. On this basis, flue-cured, burley, dark air-cured, fire-cured Maryland, and cigar tobaccos were designated as separate basic commodities by the Agricultural Adjustment Administration at the beginning of its operation. A separate program was developed for each, and in the case of cigar tobacco provisions were modified in their application to different types within the group.

For present purposes this same grouping of types is followed, except that dark air-cured and fire-cured are treated as a single group. However, Maryland tobacco is omitted from consideration since the regular adjustment and conservation programs were never applied to this type; the 1934 and 1935 programs were designed only to discourage production of the very low grades. Similarly, cigar wrapper tobacco (shade-grown) and the various minor types commonly reported as miscellaneous are not considered. This leaves four principal groups of types to be examined here. For each of these, an appraisal of the effect on income necessitated the consideration of:

1. The effects upon acreage, production, and market supply.
2. The significance of this modification of supply in influencing price.
3. The influence of the program upon the price obtainable for a given supply.

It is not possible to include the details of these studies in the present report. Instead, the general findings with respect to income effects are summarized, followed by a brief description of the situation for each principal type. Annual estimates of the value of the tobacco crop, with and without the program, are shown in table 21.

TABLE 21.—*Estimated farm value of major types of tobacco with and without adjustment programs, including benefit payments, 1933-34 to 1937-38*

[Dollars in thousands, i. e., 000 omitted]

Marketing season	Without program	With program ¹	Income with program as percentage of income without program
			<i>Percent</i>
1933-34.....	\$131,439	\$176,898	134.6
1934-35.....	138,831	260,231	187.4
1935-36.....	145,171	246,278	169.6
1936-37.....	204,116	281,108	137.7
1937-38.....	255,652	322,064	126.0
Total.....	875,209	1,286,579	147.0

¹ In addition to the payments included in this total are \$360,000 accruing to producers of Maryland tobacco and \$4,259,000 to Puerto Rican producers.

When payments for participating in the programs are included, the increase in farm income for the 5 years, 1933-37, approaches \$416,000,000. Of this, approximately \$327,100,000 was due to enhanced value of the crops. The influence of the program was most noticeable during the period 1934 to 1936, when it was bringing about a sharp adjustment in the total supply of tobacco. Had no program been in operation, a somewhat larger volume of tobacco would have been marketed, especially in the years 1934 and 1935, but prices in all years would have been considerably lower.

Table 22 gives total value added to each type of tobacco by the program for the 5-year period and the total benefit payments.

TABLE 22.—*Increased crop value of tobacco plus benefit payments for specified types, 1933-37*

[Figures in thousands of dollars, i. e., 000 omitted]

Type	Value added by program	Rental and benefit payments	Total
Flue-cured.....	226, 000	37, 071	263, 071
Burley.....	70, 000	26, 825	96, 825
Dark.....	23, 000	7, 958	30, 958
Cigar.....	8, 100	12, 416	20, 516
Total.....	327, 100	84, 270	411, 370

FLUE-CURED

From 1920 to 1933 inclusive, year-to-year variations in the acreage of flue-cured tobacco showed a fairly close relationship to the prices received by growers in the preceding season, but with a pronounced upward trend in the acreage accompanying any given level of price.

With the prices farmers received over the period 1933 through 1937, there can be little doubt that had there been no programs, the acreage in each succeeding season would have been very much larger than that which was actually harvested. However, in the absence of programs, the course of prices over the period also would have been much different and on the average they would have been substantially lower. In general, the effects of the programs upon production and marketings would have been in proportion to those estimated with respect to acreage. The smaller production in 1934 and 1935, marketing agreements, and anticipations of future programs explain part of the enhanced prices in those years, but do not explain the most important part of the striking increases in the level of tobacco prices. Of greater significance has been the fact that prices have been maintained at levels well above their previous relationship to supplies. It has not been possible to explain this situation adequately on the basis of any developments known to have occurred outside the program.

The answer must be sought in the buying policy of the tobacco manufacturers. With uncontrolled production, manufacturers had been faced with the necessity of lowering their prices to prevent stocks from becoming excessive. But with acreage and output held within reasonable bounds by the programs, buyers were free to base their price policies on other considerations. Through a policy of paying higher prices the industry has been able to protect itself against a

collapse of resale prices and extensive losses on inventories already held, and has also maintained growers' prices at levels well above their former relationship to supplies. To the extent that the program has made this possible by removing the threat of increased production in response to higher prices, it may be said to have been responsible for the observed enhancement of prices.

BURLEY

In its more important aspects, the situation to be encountered with respect to burley tobacco is quite similar to that already considered for the flue-cured types.

Proceeding along the same lines of analysis employed with respect to flue-cured tobacco, it is concluded that the adjustment program was responsible for substantial curtailments of burley acreages in both 1934 and 1935. Similarly, it is concluded that its effect in curtailing acreages in 1936 and 1937 below those which would have been grown if there had been no program in any year was probably much less, although the program appears to have checked effectively the expansion which would otherwise have been expected to accompany the prices growers actually received.

The adjustment in acreage resulted in lower production of tobacco at the time when stocks were especially large. This resulted in an adjustment in total supplies which was followed by lower stocks so that a more normal relationship of supply and demand was reestablished.

These curtailments of acreage and production were significant factors in strengthening the market, particularly in 1934 and 1935. Again, however, it does not appear that such influences could have been responsible for the whole increase in prices which actually took place, since prices from 1933 on have been consistently above their former relationship to supplies. For the reasons which were outlined with respect to flue-cured tobacco, this maintenance of prices above their usual relationship to supplies is attributed to conditions most largely brought about by the program.

Consumption and exports of burley averaged 13.5 percent greater in the last 4 years than in the preceding 4-year period. This condition favored an increase in price over the pre-program period and must be recognized as entirely independent of any influence which the program may have had on burley tobacco prices and on income from tobacco.

DARK AIR-CURED AND FIRE-CURED

Year-to-year variations in prices usually have been followed by roughly parallel changes in succeeding acreage and production. Contrary to the situations described for flue-cured and burley types, there was no discernible trend in the level of this relationship over the period preceding the introduction of the adjustment program. From 1934 onward, however, acreages have been substantially below their previous relationship to prices, indicating that the program has kept production about 30 percent smaller than it would have been with the prices received. But with no program in any year the evidence at hand indicates that prices would have been much lower, so that there would have been some decrease of acreage and production without the program. In view of all these considerations, it is esti-

mated that the program altered the course of production during the period 1934-37 and probably curtailed it by something like 10 percent.

Unlike the situations described with respect to the two preceding kinds of tobacco, the influence of the program upon prices for the dark types operated mostly through the effect upon supplies, particularly upon the stocks which otherwise would have accumulated. This operation was supplemented to a degree by the loan and diversion activities.

Diversion programs operated to reduce the surplus stocks of dark tobacco and thus improved the market situation for these types. It is estimated that the diversion programs and the accompanying price-stabilization operations have maintained an average price at least 1.5 cents a pound above what it would have been had there been no diversion program. An additional advantage is seen in the more active market which has resulted because of the removal of surplus stocks, a favorable influence which may continue its good effect during the next few years.

On the whole, it is estimated that the combined effects of all elements in the program have been sufficient to maintain prices during the period 1934 to 1937 at levels averaging something like 30 percent above those which growers would otherwise have received.

CIGAR FILLER AND BINDER

Cigar tobaccos are classified as filler, binder, and wrapper types according to their uses in the manufacture of cigars. The last of these has a high unit value, and is produced in comparatively small volume under highly specialized conditions. Although producers of wrapper tobacco types have been eligible to participate in the program, the wrapper types are omitted from consideration in this appraisal since they present special problems of analysis.

In their general characteristics these tobaccos are similar and from this point of view it would seem they might be treated as one product, but because of some specialized uses, they must be considered separately at certain points in the study. The sharp decline in cigar consumption during 1930-32 greatly weakened the market for these types of tobacco. Stocks of tobacco on hand became excessively high in relation to the lower rate of disappearance, but during the years of the program these have been reduced more nearly in line with present requirements.

Significant price gains are attributable to the program. Acreages and production probably would have declined substantially following 1933 even if there had been no adjustment activities. But the program hastened and increased this adjustment with a corresponding influence upon supplies and upon stocks carried over to succeeding seasons.

VII. THE VALUE OF APPRAISAL

The foregoing analyses are presented with due regard for their limitations. The general recovery program of which the commodity plans were a part was a war with depression, and trying to evaluate too closely the results of each of the individual battles is a difficult and fallible task. Nevertheless, there is genuine value in the practice of instituting conservative and careful studies of the effects of the operations of an action agency of government.

CHAPTER 6

ACCOMPLISHMENTS OF THE AGRICULTURAL ADJUSTMENT ADMINISTRATION TOWARD THE LONG-TIME OBJECTIVES OF SOIL CONSERVA- TION AND EFFICIENT FARMING

A clear understanding of the soil-conservation problem and of the steps taken in the adjustment programs to meet that problem is best arrived at through a brief survey of its historic and geographic settings. The highly exploitative nature of our past agriculture unquestionably lies behind the situation in which American farmers now find themselves. Gullied landscapes, eroded top soils, and bare slopes prove the intensity and sweep of despoliation of our soil resources.

Many forces have contributed to this situation but two are outstanding: First, the great natural abundance and accessibility of our resources, and second the development among the early settlers of habits of thought and action based on a purely individualistic way of life. This latter tendency was most pronounced in the settlers' attitude toward the land. It early crystallized into the belief that every individual enjoyed a right to the unrestricted ownership and use of a piece of land—to buy, sell, and make use of it as he saw fit. There was little consciousness of the wisdom of sharing private interest with the broad public interest or social interest in perishable sources of human life.

I. THE CHANGE FROM WASTE TO CONSERVATION

The abundance of land, timber, and other resources invited and encouraged lavish use. There was neither thought nor immediate need for conservation. The problem faced by many of the early settlers, in fact, was how best to clear the land. Where rich soil was covered by timber their task was to get their fields cleared with the least effort. They had to clear away the brush or break up the prairie sod, and get the land into cultivation. If the lush harvests of virgin soil began to wane after a few years, the settlers moved on and carved out another farm in another locality with equal or greater fertility. So long as free land was available for the asking, with an apparently boundless frontier to the west, they continued to do this. There was little individual incentive to do anything else.

Such an environment does not foster or encourage a sense of stewardship in land, or a feeling of social responsibility in its handling. On the contrary, it encourages reckless prodigality. Attitudes and habits of thought develop which culminate in customs, traditions, and

institutions; and all of these are passed on from generation to generation. Even after those who till the land begin to acquire, through their affection for the soil and their own observation of its wastage, a strong sense of social interest in these resources, those nonfarm groups which profit from intensive exploitation of resources cling to their individualistic ideas.

The abundance of resources and this individualistic attitude toward land and timber, minerals and water, were the major factors in determining the public land policy we have followed until recent years. Except for making land available in convenient units, this land policy has been characterized by an almost complete absence of any positive effort to give rational direction to land use or settlement.

THE AWAKENING IN THE TWENTIES

Although many specialists and a few far-seeing statesmen had long recognized the dangers and inevitable human loss that would result from this policy, it is only within the past few years that the Nation as a whole has come to realize it. In fact, the danger signals first began to attract general attention around the turn of the century. At that time, the last of the good free land was being taken up. The frontier, as it had been known for a century, disappeared. This Nation at last had a preempted continent. It was finally face to face with the problems of a maturing country.

But it really was not until the 1920's that the Nation seemed to have fully sensed the situation. In these years, excessive supplies and low prices accompanied the over-expansion and dislocations of agriculture. The over-expansion was due to the attraction of war-time prices. When these prices collapsed, the continuing loss of foreign markets, the depression in industry, and large scale unemployment brought into sharp focus the seriousness of the problem faced by agriculture and the Nation. The Nation began to count the cost of waste, in all its forms, of our country's natural resources.

The extreme droughts in the 1930's tended further to accentuate the problem so dramatically that the general public could see its meaning more clearly than ever before. The tragic, though spectacular, dust storms in the Great Plains did a great deal to focus public attention upon past misuse. But in the aggregate, they probably were less significant than the insidious and almost imperceptible sheet erosion and loss of fertility going on steadily on the millions of individual farms of the Nation.

THE NECESSITY FOR UNITED ACTION

This general problem is one which the farmers, working as individuals, have been unable to meet. The reasons why are readily apparent to anyone who examines the general nature of the problem and the pressure which economic forces bring to bear upon the individual producer.

Under conditions of unlimited competition in agriculture, the immediate economic interest of the individual producer frequently is in direct conflict rather than in accord with his long-time interests. His long-time interests are closely allied with the permanent interests of the rest of society, and lie in the conservation of the precious resources

which are the basis of human life and happiness. So long as there is no cooperation among individual producers, and no way to implement their strong group interest in protecting their soil, the conditions of unlimited competition make it to their immediate individual economic interest to produce as large a volume as possible regardless of price and regardless of over-exploitation of soil. This is true because the individual's total production represents such a small proportion of the total agricultural output that it has an almost infinitesimal effect upon the price he receives. His gain in income from increased volume, in other words, is not offset by his loss in income due to the small effect his share has upon the total production and price. Moreover, the largest part of the farmers' costs are overhead or fixed costs, which can not be reduced greatly by curtailing output and must be met out of current income. This is further reason why the farmer feels it is to his immediate interest to produce as large a volume as possible, and it explains why it is that agricultural production remains high during periods of depression and why the individual producer finds himself, without concerted group action, unable to cope with the vicious spiral of declining prices.

This situation is accentuated if, as happens often for many producers, these low prices accompany a heavy debt burden. When farmers have families to support on inadequate incomes, mortgages, interest, taxes, and other fixed costs become especially serious because they have to be met if control of the farms is to be retained. In such circumstances, competitive pressure not only forces an increased acreage of land under cultivation, but it also tends to force more and more intense tillage of the acreage already under cultivation. Such intensive tillage exploits the soil and exposes it to destruction from erosion. It results in the production of a larger and larger proportion of crops requiring large amounts of soil nutrients. It results in substituting crops which are clean tilled, exposing the land to erosion, for hay and pasture that protect and build up the land. In the range areas it leads to overgrazing in an effort to support as much livestock as possible on the limited amount of feed available. In the western Great Plains, it sets in motion the successive overplowing and abandonment of land that lead finally to the tragic waste which is caused by dust storms.

To induce the great mass of farmers to maintain soil fertility and control erosion simply through educational methods is usually impossible, since it often runs counter to their immediate profit interest. To be sure, many farmers who are free of debt and who have sufficient means to discount present income are in a position to use soil conserving methods of farming, and a good many of them do maintain, or even increase, the productive capacity of their farms over a long period. Furthermore, there are some large areas where the farming systems are such as to retain much of the farm land in hay and pasture and, hence, reduce to a minimum the problem of fertility maintenance and erosion control. But this is not the case with most farmers in the commercial crop regions. There the problem is serious. It is serious for the farmer and for the nation. Some kind of concerted action, some large scale cooperative effort, is necessary if adequate conservation is to be achieved.

Up until about 5 years ago, direct group action to influence conservation or modify the production of our great agricultural staples either had not been attempted or was unsuccessful. Prior to this time, State and Federal governments largely limited their efforts to carrying out research and extension work as a means of deliberately influencing production. Apparently such limited efforts assumed that the national interest as well as the interest of the individual farmer would best be served if the methods of agricultural production continued to be shaped entirely by competitive forces, unmodified by large-scale cooperation to recognize and meet great common needs.

Such purely individualistic competition, however, leads to waste rather than conservation of natural resources. This is true for two primary reasons. It fails, in the first place, to resolve the conflict between individual and national interests in conservation; and it fails, in the second place, to resolve the conflict between individual and group interests in an income level high enough so that all farmers can afford to conserve their soil. These two conflicts must be resolved in order to make systematic conservation possible, and resolving them must be the objective of any program that is applicable to farmers generally.

II. THE VARIATION IN REGIONAL NEEDS

Two principal types of action are generally accepted as necessary to attain conservation of farm land. Under certain conditions, conservation can be attained by changing the cropping systems followed—that is, by planting smaller acreages of highly exploitative, intertilled, or depleting crops and by increasing the acreage of the conserving crops such as hay and pasture. Under other conditions, the most effective procedure may be the development of soil conservation practices, particularly of such mechanical practices as terracing, contour farming, basin listing, and strip cropping. No matter which approach is made, practical means must be developed to equalize the sacrifice in immediate cash returns that result from substituting methods of soil conservation for those of soil exploitation.

The Agricultural Adjustment Administration has found it necessary to use both approaches, inasmuch as the situation varies greatly as between regions, localities, and types of farming.

In the South, for example, the present acute soil problem resulted, in part, from the sharp slopes, heavy rainfall, and susceptibility of the soil types to erosion, and, in part, from the pressure of the large population upon the land supply. The population pressure forced a large part of the cropping area into such intertilled and soil-depleting crops as cotton, tobacco, and corn. This in turn created a situation highly conducive to erosion and exploitation. The problem of erosion control in the South remains difficult both because of this continued pressure and because there is no perennial grass that is well adapted to the region. Measures of erosion control must largely consist of planting summer and winter cover crops, of terracing, and contour farming.

In many parts of the Corn Belt, on the other hand, the problem is less acute, partly because of the more level topography and partly because of greater use of land for legumes and grasses. Measures

of control involve, in the main, a shift of the land out of inter-tilled crops, like corn, into more hay and pasture crops; and the consequent encouragement of seeding and, in the hilly areas, of terracing and contour farming.

In the dairy regions, however, the problem of conservation is not primarily one of shifting present cropping systems. In these areas, there is already a very high proportion of the land in conserving crops, notably in hay and pasture. The problem is one of improving these pasture conditions and following cultural practices which will keep the situation stabilized.

In the wheat areas, the primary problem is to get more land tied down to grass and other cover crops. Inasmuch as the rainfall throughout the territory is uncertain, farming must continue to be of an opportunistic character, but it should be handled in such a way as to restrict the seeding of wheat or keep the land undisturbed when moisture conditions are unfavorable. The problem involves the establishment of a flexible type of farming and the encouragement of cultural practices such as strip-cropping, contour farming, basin listing, and artificial reseeding which will tend to keep the land protected.

In the range areas, there is still a different problem. There such mechanical practices as contour furrowing, water spreading, and the like, are helpful, but they need to be accompanied by proper stocking of the range and the practice of deferred and rotation grazing, so that the grass will have a chance to seed and reproduce itself and thereby be restored and maintained.

To give a brief summary of these overall adjustments needed to obtain conservation, the recommendations that have been made both by farmers and by experts in the 48 agricultural experiment stations are presented in table 23. The recommendations of the technicians were made in a Nation-wide study in 1935 and those of the farmers were made in another Nation-wide effort, the county planning project, beginning in 1936.

TABLE 23.—*Summary of recommendations by technical experts and farmers for changes in the acreages of principal crops to obtain conservation, as compared with the 5-year average (1928-32) acreages of these crops and with the 1937 acreages*

[Figures in millions, i. e., 000,000 omitted]

Crops	Actual acres harvested		Acres recommended by	
	1928-32	1937	Technical experts	Farmers
Corn.....	103.4	93.8	86.5	94.0
Oats and barley.....	52.7	45.0	49.4	46.2
Wheat.....	60.1	64.5	51.7	57.9
Cotton.....	40.5	34.0	38.4	31.9
Tobacco.....	1.9	1.7	1.9	1.6
All hay.....	68.4	66.3	81.4	87.8

Clearly, in the judgment of both the technicians and farmers, if conservation is to be attained, it will be necessary to make a substantial adjustment downward in our major depleting crops and a corresponding adjustment upward in our conserving crops as com-

pared with the 5-year average acreages of these crops. In general, it will be noted that both groups recommend a reduction in corn, oats and barley, wheat, cotton, and tobacco acreages below those reported in 1932, while an increase in the acreage of the hay crops was recommended. A comparison of the acreages recommended by the farmers with the acreages actually harvested in 1937 shows that the acreage of corn harvested and the acreage recommended are almost identical; the harvested acreage of wheat is considerably above the acreage recommended; the harvested acreage of cotton slightly above; and the harvested acreage of tobacco slightly below, whereas the actual acreage of all hay is very markedly below the recommended level.

III. THE EXTENT OF PRESENT ACCOMPLISHMENTS

With this indication of the history and extent of the adjustment problem, the effects of the Agricultural Adjustment programs may be reviewed through an appraisal of the contributions actually made toward its solution.

The appraisal is developed under three heads: (1) The effect in downward adjustment of soil-depleting crops; (2) the effect in increase of soil-conserving crops and practices; and (3) the effect in efficiency of farm operation.

THE EFFECT UPON THE DOWNWARD ADJUSTMENT OF SOIL-DEPLETING CROPS

Under the original adjustment programs an effort was made to control the acreages of corn, wheat, cotton, and tobacco. This effort was directed toward reducing burdensome supplies of these crops so as to bring about an increase in price and income. Although conservation was an incidental objective in this early effort, the provisions with respect to the acreages shifted out of production, and the use to which they could be put, were such as to result in a considerable degree of conservation. Under the Soil Conservation and Domestic Allotment Act, moreover, production control became incidental and conservation became the major objective of the programs.

The extent to which the adjustment and conservation programs have been effective in the downward adjustment of the major soil-depleting crops can be judged at least in part from the data in table 24. The corn program was chiefly effective in the North Central or Corn Belt States. Within this area, the acreage of corn since 1934 has been well below the acreage in the 5-year period 1928-32 or the acreage in 1933. This reduction was due largely to the adjustment program of 1934 and 1935. But it was also due in part to both the conservation program and the increase in the acreage of wheat seeded in 1936 and 1937.

Under the conservation program, wheat and corn were included in a general-crops base along with all other soil-depleting crops except cotton, tobacco, peanuts, and rice. Experience with the program in 1936 indicated that its effect upon corn acreage was very uncertain, since farmers who so desired could expand their corn acreage and cut their small-grain acreage. As a result, a corn limit was estab-

lished in 1937 within the general-crops base as a means of stabilizing the acreage of corn in the Corn Belt.

TABLE 24.—*Acreages of specified crops: Yearly average, 1928-32 and 1934-37, annual, 1932-37*

[Figures in thousands of acres, i. e., 000 omitted]

Crop	1928-32	1932	1933	1934	1935	1936	1937	1934-37
Corn planted.....	104,128	112,061	108,527	99,806	98,372	100,599	96,483	98,815
North Central.....	66,273	70,272	67,740	58,314	58,015	61,905	58,804	59,260
South.....	27,431	30,370	29,750	31,199	29,854	28,284	27,343	29,170
Wheat planted.....	67,411	65,913	68,485	63,562	69,207	73,724	81,362	71,963
Northern Great Plains.....	23,095	23,012	23,436	19,627	22,625	24,443	24,234	22,732
Southern Great Plains.....	24,252	24,243	24,192	23,602	24,762	26,286	30,303	26,238
Pacific Northwest.....	4,718	4,595	5,628	3,987	4,098	4,909	5,070	4,516
Other.....	15,346	14,063	15,229	16,346	17,722	18,086	21,755	18,477
Cotton, July 1.....	41,424	36,494	29,760	27,860	28,197	30,903	34,471	30,238
Rice harvested.....	925	874	798	812	817	981	1,086	924
South.....	811	764	690	704	717	843	956	805
California.....	114	110	108	108	100	138	130	119
Tobacco harvested:								
Flue-cured.....	990	618	921	684	874	864	973	849
Burley.....	427	410	502	304	280	302	442	332
Dark.....	276	207	209	198	179	161	194	183
Cigar, binder-filler.....	134	125	64	50	60	64	76	62
Maryland.....	35	37	37	36	37	38	36	37
Soil conserving hay: ¹								
United States.....	50,748	50,730	51,132	48,021	50,326	52,074	50,482	50,226
North Central.....	24,878	23,297	23,646	21,140	22,777	24,049	21,800	22,442
South.....	5,950	7,342	7,388	7,698	7,711	8,922	9,010	8,335

¹ Excluding acreage plowed under.

² 1933-37.

³ Includes alfalfa, clover and timothy, lespedeza, sweet clover, and miscellaneous tame hay; soybeans, cowpeas, and velvetbeans grown alone in the South and East Central States, and all sweet sorghums for hay and forage.

NORTH CENTRAL: Ohio, Indiana, Illinois, Michigan, Wisconsin, Missouri, North and South Dakota, Minnesota, Iowa, Nebraska, and Kansas.

SOUTH: North and South Carolina, Georgia, Florida, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Texas, and Oklahoma.

NORTHERN GREAT PLAINS: North and South Dakota, Nebraska, Montana, and Wyoming.

SOUTHERN GREAT PLAINS: Kansas, Oklahoma, Texas, New Mexico, and Colorado.

PACIFIC NORTHWEST: Washington, Oregon, and Idaho.

The acreage of corn in the South was about equivalent to the 1928-32 acreage in 1937, and was well above this acreage in 1933, 1934, and 1935. The corn problem in the South is quite different from that in the Corn Belt. As indicated earlier, the Southern Region has few soil-conserving crops that require the year-round use of the land. In addition, it has the densest farm population of any major region of the United States and needs a considerable acreage in addition to that normally grown in order to supply food and feed for farm use and consumption. Because of these factors, southern farmers have been encouraged to grow more of the home food and feed crops that are needed to give them a higher standard of living. As a consequence, corn acreage has not been reduced. This situation does not affect adversely the commercial corn producers in other areas because the average corn yield in the South is only about 40 percent of the average yield per acre in the Corn Belt itself, and there is almost no commercial production. Moreover, the downward adjustment in the acreage of cotton has also reduced cottonseed production, so that the supplies of cottonseed cake and cottonseed oil have also been reduced. Since the cake competes with corn as feed, and the chief use of refined cottonseed oil is in the production of vegetable shortenings which compete with lard, the net effect has not been disadvantageous to the Corn Belt.

The acreage of wheat planted was significantly reduced in 1934 under the first adjustment program. In 1935, however, wheat acreage was slightly in excess of the 1928-32 level. The Supreme Court decision in the Hoosac Mills case in 1936 was followed by larger increases in the plantings of wheat than in those of most other basic crops. Even the indirect effect on acreage of the soil conservation program was smaller for wheat than for cotton, corn, or tobacco, because no provision was included for any special goal or limit for wheat plantings. Within a year, wheat acreage increased to an all-time high of 81,362,000 acres planted for harvest in 1937. A study of the regional distribution of wheat acreage indicates that the greatest increase has been east of the one-hundredth meridian. The acreage in the more arid Great Plains and the Pacific Northwest has not shown any marked increase over the 1928-32 level.

The general increase in wheat acreage was due chiefly to the effect of successive droughts upon the harvest and prices in 1933, 1934, 1935, and 1936, to the great incentive such prices gave to plant wheat, and to the absence of restrictions upon wheat acreage as such in the Agricultural Conservation Programs of 1936 and 1937.

TABLE 25.—*Summary of acres diverted and soil-building practices under the 1936 agricultural conservation program, for areas and for total United States*

Soil-building practices	Northeast	Midwest	Southeast	Southern Great Plains
Cooperating acreage ¹.....acres..	12,342,369	98,340,411	46,830,517	57,266,363
New seedings.....do.....	1,711,484	19,129,358	3,480,551	1,290,933
Green manure and cover crops.....do.....	332,528	656,858	7,000,870	4,976,176
Lime applications.....do.....	594,831	1,154,476	154,685	4,470
Ground limestone equivalent ².....tons..	668,615	2,734,278	215,941	8,414
Fertilizer applications.....acres..	740,425	192,601	157,912	6,709
Fertilizer applications ^{2 3}.....tons..	129,439	19,741	17,722	839
Forest trees planted.....acres..	2,379	2,161	10,198	6,811
Terracing.....do.....	5,256	21,453	372,368	323,649
Contour listing.....do.....				1,277,302
Controlled fallow.....do.....				294,083
Acres diverted ⁴.....do.....	587,916	8,769,561	6,009,155	8,721,776

Soil-building practices	Northern Great Plains	Pacific Northwest	Southwest	Total United States
Cooperating acreage ¹.....acres..	59,984,454	6,420,075	5,419,665	286,603,854
New seedings.....do.....	3,807,478	570,616	313,628	30,297,051
Green manure and cover crops.....do.....	307,768	249,212	163,915	13,687,327
Lime applications.....do.....	115	1,634		2,210,211
Ground limestone equivalent ².....tons..	230	1,634		3,629,112
Fertilizer applications.....acres..				1,097,647
Fertilizer applications ^{2 3}.....tons..				167,741
Forest trees planted.....acres..	10,065	22	122	31,758
Terracing.....do.....	1,458		4,407	728,591
Contour listing.....do.....	3,458			1,280,700
Controlled fallow.....do.....	1,520,777	716,499	1,053,551	3,584,913
Acres diverted ⁴.....do.....	6,842,300	543,453	291,394	31,765,555

¹ Acreage of cropland covered by applications for payment.

² Estimated on basis of minimum applications required for payment on acres reported.

³ Superphosphate, nitrate of soda, muriate of potash, basic slag, and manganese sulfate.

⁴ Acres diverted from soil-depleting bases for payment under agricultural conservation program.

NORTHEAST: Northeast region and Delaware, Maryland, Virginia, and West Virginia.

MIDWEST: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, and Kentucky.

SOUTHEAST: North and South Carolina, Georgia, Florida, Tennessee, Alabama, Mississippi, Arkansas, and Louisiana.

SOUTHERN GREAT PLAINS: Kansas, Oklahoma, Texas, New Mexico, and Colorado.

NORTHERN GREAT PLAINS: North and South Dakota, Nebraska, Montana, and Wyoming.

PACIFIC NORTHWEST: Washington, Oregon, and Idaho.

SOUTHWEST: Arizona, California, Nevada, and Utah.

TABLE 26.—*Summary of acres diverted and soil-building practices under the 1937 Agricultural Conservation Program*

Soil-building practices	Northeast	Midwest	Southeast	Southern Great Plains
Cooperating acreage.....acres..	16,727,511	90,224,749	45,645,693	57,347,647
New seedings.....do.....	2,593,932	16,842,546	4,622,116	1,212,983
Green manure and cover crops.....do.....	719,159	343,489	5,169,773	4,938,636
Lime applications.....tons.....	1,645,454	2,933,260	349,377	43,142
Fertilizer applications ¹.....do.....	288,880	69,247	32,791	2,040
Forest trees planted.....acres.....	6,926	4,069	12,458	1,681
Forest trees maintained ².....do.....	5,760	38,508	1,291	2,124
Terracing.....1,000 ft.....	1,761	929	195,739	94,973
Contour and other strip cropping.....acres.....	2,138	1,951	-----	31,036
Contour listing.....do.....	-----	-----	-----	4,643,794
Contour farming.....do.....	442	-----	-----	1,789,346
Controlled fallow.....do.....	-----	-----	-----	3,553,071
Pasture land practices: ³				
Contour furrowing.....do.....	-----	-----	3,060	88,412
Deferred grazing.....do.....	-----	-----	1,564	-----
Natural restoration ⁴.....do.....	-----	-----	-----	147,874
Weed control.....do.....	-----	-----	-----	9,121
Acres diverted.....do.....	340,331	5,875,857	4,988,701	8,292,044

Soil-building practices	Northern Great Plains	Pacific Northwest	Southwest	Total United States
Cooperating acreage.....acres..	58,416,761	7,413,237	6,853,743	282,629,341
New seedings.....do.....	2,910,823	532,565	356,905	29,071,870
Green manure and cover crops.....do.....	11,450	121,202	983,786	12,287,495
Lime applications.....tons.....	100	18,467	-----	4,989,840
Fertilizer applications ¹.....do.....	21	3,867	139	396,985
Forest trees planted.....acres.....	9,051	45	1,317	35,547
Forest trees maintained ².....do.....	5,365	45	-----	53,093
Terracing.....1,000 ft.....	251	-----	216	293,869
Contour and other strip cropping.....acres.....	339,415	-----	-----	374,540
Contour listing.....do.....	13,792	508	128	4,658,222
Contour farming.....do.....	-----	-----	-----	1,789,788
Controlled fallow.....do.....	5,076,022	776,956	139,609	9,545,658
Pasture land practices: ³				
Contour furrowing.....do.....	4,911	-----	-----	96,383
Deferred grazing.....do.....	95,496	-----	-----	97,060
Natural restoration ⁴.....do.....	115,365	172,845	11,705	447,789
Weed control.....do.....	14,754	19,027	19,891	62,793
Acres diverted.....do.....	6,092,338	490,659	282,608	26,362,538

¹ Phosphate, basic slag, potash, nitrogen, manganese sulfate, and 2,729 tons of gypsum.² Acreage maintained and improved.³ Other soil-building practices on farm pasture land: Contour listing 2,811,000 feet, fencing 161,461 rods.⁴ Reseeding pasture and restoration to native cover.

NORTHEAST: Includes Northeast Region States and Delaware, Maryland, Virginia, and West Virginia.

MIDWEST: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, and Kentucky.

SOUTHEAST: North and South Carolina, Georgia, Florida, Tennessee, Alabama, Mississippi, Arkansas, and Louisiana.

SOUTHERN GREAT PLAINS: Kansas, Oklahoma, Texas, New Mexico, and Colorado.

NORTHERN GREAT PLAINS: North and South Dakota, Nebraska, Montana, and Wyoming.

PACIFIC NORTHWEST: Washington, Oregon, and Idaho.

SOUTHWEST: Arizona, California, Nevada, and Utah.

Altogether, the adjustment and conservation programs have had a substantial effect upon the acreage of the major soil-depleting crops. Under the agricultural adjustment programs, especially, the acreages of corn, cotton, and tobacco were maintained at a level well below the average acreage in 1928-32 or in the base period. Under the conservation program, some incidental influence upon acreage has been obtained; but the steady increase in agricultural prices and agricultural income from 1933 through 1937, combined with the effects of the Hoosac Mills decision, tended toward encouraging increased acreages. There is no doubt, however, that the type of acreage adjustment which is now needed, and which will be needed for some time to come to maintain farm income, is also a type of adjustment which can contribute toward conservation of soil fertility.

EFFECT UPON INCREASING SOIL-CONSERVING CROPS AND PRACTICES

Under the agricultural conservation program, attention has been centered upon encouraging the adoption of soil-conserving and soil-building practices, as well as upon maintaining the acreages of the chief soil-depleting crops at a reasonable level.

A summary of the soil-building practices paid for under the Agricultural Conservation Program from 1936 to 1937, as well as the acres diverted, is given in tables 25 and 26. A study of these tables indicates that the type of practice for which payment has been made differs from region to region. The most important of the practices, however, is the payment for new seedings of soil-conserving crops. Altogether, payment was made for the seeding of about 30,000,000 acres of soil-conserving crops under the 1936 Agricultural Conservation Program, and for the seeding of about 29,000,000 acres under the 1937 program.

The seeding payments have been concentrated in the Mid-West, or Corn Belt, and in the southern cotton region. In the Mid-West, these seedings have largely been needed to replace the acreages of soil-conserving crops killed out by the severe droughts of 1934 and 1936. In the South, these seedings have been chiefly for winter cover crops. These attain sufficient growth in the fall and early winter to protect the land from erosion or leaching until they are harvested as hay or plowed under in the following spring or early summer.

Despite the encouragement which has been given to new seedings under the Agricultural Conservation Program, the acreage of soil-conserving crops as usually reported by the Division of Crop and Livestock Estimates or the Census has not shown a material increase. This is due to three factors:

FIRST, the acreages of soil-conserving crops in the Mid-West were severely reduced by the droughts in 1934 and 1936, so that abnormally heavy seedings were required in order to bring the acreages back to their normal level. SECOND, the seedings in the South have been chiefly for cover-crop purposes, which is a class of crops not ordinarily included in crop reporting statistics or in the Census. And THIRD, to a considerable extent, seeding payments have been made to farmers for carrying out seeding practices needed to maintain, rather than increase, the acreage of soil-conserving crops.

Liming has been an especially important practice in the Northeast and East Central States, as well as in the eastern Corn Belt. The use of fertilizer in improving pasture and soil-conserving crops also has been important in the Northeast and East Central States. Terracing is chiefly important in the South. Contour listing and fallow control are most important in the Great Plains Region, where wind erosion is the chief conservation problem.

Conservation practices under the range program.—The data with respect to the range practices carried out under the program in both 1936 and 1937 are given in table 27. The range program for 1936 was originally announced in the fall of the year and was necessarily limited to such practices as construction of reservoirs, development of wells and springs, and building of fences, since ranchers

had only about 3 months in which performance could be proved. This first program applied to only 13 States, but it was extended to cover all of the range area in 1937, and payments for deferred and limited grazing, in addition to those already listed, were added.

TABLE 27.—*Range practices performed under 1936 and 1937 Range Conservation Program*

Range practices	1936	1937				
	Total United States	Northern Great Plains	Southern Great Plains	Pacific Northwest	Southwest	Total United States
Cooperating acreage.....acres	50,256,000	44,083,931	88,462,823	7,708,244	14,298,364	154,553,362
Reservoirs constructed.....cu. yds.	5,230,151	5,982,980	23,513,114	137,180	1,750,098	31,383,372
Springs—seeps.....number	8,437	3,181	2,118	3,137	3,204	11,640
Wells.....do	¹ 1,025	290	804	54	163	1,311
Deferred grazing.....acres	-----	6,417,540	5,791,542	306,645	325,457	12,841,184
Limited grazing.....do	-----	2,365,240	-----	-----	-----	2,365,240
Artificial reseeding.....do	36,847	41,234	15,249	17,817	6,560	80,860
Rodent control.....do	136,285	1,639,018	1,786,608	119,667	37,345	3,582,638
Contour furrowing.....do	12,016	4,722	55,104	100	142	60,068
Rescuing range land.....do	-----	-----	1,677,400	-----	-----	1,677,400
Fire guards.....feet	565,862	22,440	7,092,540	626,560	5,352,948	13,094,488
Fences built.....rods	2,524,632	245,343	802,495	170,472	349,121	1,567,431

¹ 129,557 feet estimated at 126.4 feet per well.

1936 practices cover States in Western Region.

1937 practices also included ridging land in Oklahoma and Texas, 19,957,000 linear feet; 199 acres forest trees planted and 9 acres maintained in South Dakota; 1,208 acres planted and 50 acres maintained in Nebraska; 13,249 cubic feet tanks and troughs constructed in California; 80 acres sagebrush railed in Idaho.

NORTHERN GREAT PLAINS: North and South Dakota, Nebraska, Montana, and Wyoming.

SOUTHERN GREAT PLAINS: Kansas, Oklahoma, Texas, New Mexico, and Colorado.

PACIFIC NORTHWEST: Washington, Oregon, and Idaho.

SOUTHWEST: Arizona, California, Nevada, and Utah.

In general, the most popular practices under the range program in 1937 in all regions were deferred grazing and the construction of reservoirs. Altogether, grazing was deferred or limited on about 15,000,000 acres of land in 1937, and 20,000 to 25,000 reservoirs were constructed. The construction of reservoirs is in line with the general desire to obtain conservation and water control through the impounding of flood waters at the heads of small washes or streams. In addition, such reservoirs serve as convenient storage for stock water, and so enable a better distribution of range livestock over the grazing area.

Deferred grazing is easily the most important part of the range program from the standpoint of strict conservation. Under this practice, ranchers are required to keep livestock off a certain portion of their range from the start of forage until seed maturity. Since payment will be made in any 1 year for deferring as much as 25 percent of the land in each ranching unit, ranchers can obtain the full seed crop of grass on every part of their range over a 4-year period by deferring grazing on one-fourth of the range each year and rotating the areas deferred. So far, no method of artificial seeding which is either as efficient or as cheap as natural reseeding is known; consequently, the 80,000 acres on which artificial reseeding payments have been made are unimportant compared with the 15,000,000 acres on which deferred and limited grazing were practiced.

EFFECT UPON EFFICIENCY OF FARM OPERATION

Naturally, the effect of the conservation program upon the efficiency of farm operation and on cost of production is hard to measure. While no exact statistical measurement is attempted, both the adjustment and conservation programs have definitely tended to promote efficiency.

One indication of the degree to which this is true is the trend of yields for each of the basic crops since 1933. (See table 28.) For some crops this effect has been obscured by the severe and recurrent droughts which started in 1933 and extended through 1936. The trend in yields of cotton and tobacco, however, have both been markedly upward, with cotton yields averaging 30 pounds per acre higher in the 5 years 1933-37 than was the case in the 5 years 1928-32. Yields of flue-cured tobacco have averaged well above the 1928-32 level, while yields of burley, dark, and cigar tobaccos also have shown increases. The same is true with respect to the yield of rice, which has tended slowly but steadily upward under the program.

Wheat yields have been so much affected by the drought that no conclusion can be reached, and corn yields have been subjected to much the same effect, especially in 1934 and 1936. The yield of corn in 1937, however, indicated that the productive resources of the Corn Belt had at least been maintained, and it seems reasonable to expect some improvement in both corn and wheat yields in the next few years if severe drought does not recur.

TABLE 28.—Yields per acre of specified crops: Yearly average 1928-32 and 1934-37, annual 1932-37

Crop	Per acre	1928-32	1932	1933	1934	1935	1936	1937	1934-37
Corn planted.....	Bushels..	24.5	26.2	22.1	14.6	23.4	15.0	27.4	20.1
North Central.....	do.....	28.8	31.8	25.7	15.3	27.5	14.6	32.6	22.5
South.....	do.....	15.0	15.0	13.3	10.9	14.8	13.2	16.6	13.9
Wheat planted.....	do.....	12.8	11.5	8.1	8.3	9.1	8.5	10.7	9.2
N. Great Plains.....	do.....	10.5	10.8	5.7	3.5	7.0	3.5	6.0	5.0
S. Great Plains.....	do.....	12.1	8.5	5.0	6.6	4.7	6.8	9.4	6.9
Pacific Northwest.....	do.....	19.3	19.8	13.8	17.5	20.1	18.3	19.2	18.8
Other.....	do.....	15.6	15.0	14.4	14.3	15.2	15.1	15.9	15.1
Cotton under cultivation									
July 1.....	Pounds..	170.1	170.3	209.6	165.3	180.3	191.8	262.7	201.9
Rice harvested.....	Bushels..	46.3	47.6	47.2	48.1	48.3	50.8	49.1	49.1
South.....	do.....	43.7	44.3	44.5	43.7	44.7	48.0	46.3	45.7
California.....	do.....	65.0	70.9	64.0	76.4	74.0	68.0	70.0	72.1
Tobacco harvested:									
Flue-cured.....	Pounds..	679	605	797	814	928	790	878	852
Burley.....	do.....	750	740	753	831	792	727	912	816
Dark.....	do.....	778	777	763	877	828	773	848	832
Cigar, filler-binder.....	do.....	1,191	1,146	1,130	1,324	1,338	1,378	1,269	1,327
Maryland.....	do.....	695	775	600	720	755	820	700	749

¹ Yield per acre July 1 less acreage plowed under.

² 1933-37.

NORTH CENTRAL: Ohio, Indiana, Illinois, Michigan, Wisconsin, Missouri, North and South Dakota, Minnesota, Iowa, Nebraska, and Kansas.

SOUTH: North and South Carolina, Georgia, Florida, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Texas, and Oklahoma.

NORTHERN GREAT PLAINS: North and South Dakota, Nebraska, Montana, and Wyoming.

SOUTHERN GREAT PLAINS: Kansas, Oklahoma, Texas, New Mexico, and Colorado.

PACIFIC NORTHWEST: Washington, Oregon, and Idaho.

An upward effect of the adjustment and conservation programs upon yield is to be expected. Under the current conservation program, farmers have an incentive to retire their poorest acreages from the

production of basic crops, since there is no requirement that average acres be retired. This means that the steepest slopes in cultivation, gullied corners, and the less fertile fields are first to be shifted out of the basic crops and into nondepleting and soil-conserving uses. Such a shift in itself will result in an increase in the average yield as usually reported, even if the actual yield of the land remaining in cultivation were to remain the same as it was before the adjustment and conservation programs. In addition, farmers are inclined to give more attention to a smaller number of acres than to a larger number of acres, since they have relatively more labor available, and they are naturally more interested in obtaining good yields on the smaller acreage.

The programs, furthermore, have contributed to the efficiency of operation by reducing both material and labor costs of production. Obviously, both the outlays for production and harvesting have declined in toto, if not in direct ratio with the decline in acreage resulting from the programs. Thus the programs have tended to bring about greater efficiency in agricultural production, not in the historic sense of extracting and selling the greatest amount of soil fertility in the shortest possible time, but in the sense of an economical and sustained output of a farm plant maintained at its best productive capacity.

IV. SOME PROBLEMS AHEAD

In connection with this phase of its program, the Administration continues to face several problems for which a satisfactory solution has not yet been obtained.

THE PROBLEM OF ACREAGE BASES

One of these is the problem of setting up bases and making acreage allotments. Specifically, the problem is to find the most satisfactory method for allocating acreages as between the several regions, States, and areas. Such a method of allocation should allow for changes in the distribution of production of the several commodities in such a way as to bring the highest development of the resources and advantages of the various regions. Under the original commodity adjustment programs, the base acreages of the different crops were distributed between the several States in proportion to the acreages actually grown in 1932-33, 1928-32, or some other recent period. In a continuing program, this historical distribution is soon out of date and some method must be found to allow for shifts as between areas and States whenever and wherever needed.

The problem of allocating the area or county totals to individual farms is even more difficult. There are two philosophies with respect to this. One of them argues for a historical base, with acreages distributed in direct proportion to past performance. The other argues for a conservation and good farm management approach with acreages distributed on the basis of soil type, recommended systems of farming, and available equipment. The two approaches very often result in a greatly different distribution of acreages as between individual farms.

As previously indicated, the Agricultural Adjustment Administration started with the historical-base plan in 1933 and 1934, but has gradually been working toward a good-farm-management approach. But if good farm management is used as a basis, care must be taken

or it may result in payment of the bulk of funds available for adjustment and conservation to selected groups of farmers for following the same cropping systems they would follow without a program. The result of this would be that the other farmers would be tempted to increase their acreages and again produce the surpluses which break the market and injure everyone concerned.

THE PROBLEM OF ADDITIONAL PRACTICES

Another problem has to do with the segregation of soil-conserving practices regularly used from additional soil-conserving practices. More particularly this is a problem of how best to assure that the payments are made for practices which the farmer would not ordinarily follow with or without a program. Attention already has been called to the fact that under the present program a considerable portion of the payments for practices are made for carrying out practices already being regularly carried on. This is one reason why the acreage of soil-conserving crops has not increased more than it has.

This problem arises because the A. A. A. program does not tell farmers what to do, or how to conduct their farming operations, but does offer grants or payments as inducements to follow farming practices which are beneficial to the whole farming group and to the Nation. Since this is the basis of the program, it is difficult to avoid making the payments to all who meet the conditions, including those who can meet them by merely continuing to farm as they have been farming. Certainly a larger part of the available funds for soil-building practices should be used to obtain additional practices, at least until more satisfactory acreages of soil-conserving crops and a better solution of the soil erosion problem are obtained.

THE PROBLEM OF INCREASED YIELDS

The effects of increasing efficiency of production comprise still another problem, of a kind which grows steadily more serious as the period in which the program is operated is lengthened. As already indicated, the better lands are continued in cultivation and the farmers tend to give increasing attention to this acreage. This tendency has serious implications with respect to the future adjustments in acreage which will be needed to maintain reasonable prices and income. Such increases in yields are likely to come about slowly. They may only offset the slow but steady increase in American population, provided per capita consumption is maintained, and provided foreign markets do not decline still further from their already low level. Nevertheless, the effect of the program on per acre yields and on total production will need to be most closely observed.

THE PROBLEM OF FLEXIBILITY

The final and perhaps the most important problem is this: How can the program be made and kept flexible enough to allow the farmers in each area to develop the systems of farming best fitted to the conditions under which they operate? In connection with any national program the universal demand is for simplicity. For any individual, the simplest program is a program which most precisely

fits his farm. If the program, however, is to fit precisely all individual farms, it must be, when taken as a whole, voluminous and complicated, or else within the framework of national requirements which are few and simple it must allow county committees the latitude and discretion to adapt the program to a multitude of local variations. Yet, to be successful, a national farm program has to be operated in every region with a considerable degree of uniformity. This creates the problem.

The ideal to be sought after is a reasonably simple program, yet one which is, at the same time, sufficiently flexible and adaptable to allow its maximum use by farmers in each area. To the extent that this can be done, participation and the amount of stabilization and conservation obtained will be correspondingly increased.

CHAPTER 7

THE EXPERIENCE IN MARKETING ADJUSTMENT

The activities of the Agricultural Adjustment Administration in improvement of marketing procedures, expansion of markets, and the removal of excess supplies of farm products after they are ready for market naturally have tended to increase in importance with the increase in seriousness of the surplus problem. All of these activities have been directed toward some ultimate solution of that problem, even while their immediate purpose was to help farmers increase their market returns during the current season.

The various programs have differed widely in methods used. In general, however, all the activities may be grouped under four broad types of program: (1) Encouragement of domestic consumption, through purchase programs for relief distribution; (2) diversion programs for increasing export and noncompetitive uses; (3) marketing programs for general crops (chiefly fruits and vegetables); and (4) marketing programs for the dairy industry.

I. ENCOURAGEMENT OF DOMESTIC CONSUMPTION THROUGH PURCHASES FOR RELIEF DISTRIBUTION

Partly from specific legislative guidance, but particularly through the influence of related agricultural legislation and administrative policy, major considerations in the development of purchase programs have included the following principles:

1. Purchases should be made to benefit agricultural producers and to secure supplies for persons on relief.
2. Benefits secured should not be confined to a small number of producers, but should be for the assistance of the entire group marketing the commodity.
3. Monetary benefits secured by growers should be reflected in returns on the entire output and should exceed the Government's expenditures on the particular commodity.
4. Whenever possible the purchases should encourage or supplement some other constructive marketing program by growers.
5. Domestic consumption of agricultural commodities should be increased by distributing supplies which are not likely to be consumed in the absence of a program; by giving products to persons who have not previously consumed them, in the expectation that a permanently enlarged market will result; or by preventing the instability in prices which results in alternately high and low commercial supplies and greater consumer expenditure than is necessary with stable prices.

Additional long-time considerations that have motivated relief purchases have been directed toward:

- (a) Directly improving current marketing practices, including those pertaining to grading, packing, and size or quality of shipments;
- (b) Preventing increased plantings or perpetuation of uneconomic practices as a result of purchase policy; and
- (c) Preventing programs from interfering with maximum distribution of products.

In carrying out the program, many of these general purposes have been given secondary consideration. In practice, monetary aid to growers has been the primary aim. Grower distress or threat of distress has been the principal cause for action; and the removal of a part of the supplies depressing growers prices has been the basic means of aiding growers. In general, therefore, the problem of appraising accomplishments is one of evaluating the effects upon producer incomes and marketing practices, and the incidental effects upon other groups, including those to whom the supplies are distributed.

PURCHASES AS DIRECT AID TO PRODUCERS

The simplest situation for purchase operations is that in which purchase is made merely to relieve the pressure of a very heavy supply upon price. This heavy supply may be the result of increased yields or acreage. In other cases, without increasing available supplies, weather factors may have caused the marketing season of normally noncompetitive areas to overlap. Purchases for relief distribution would then serve to increase demand sufficiently so that grower prices and returns could be established at higher levels.

In another situation there may be important imperfections in the market. When the product is offered for sale in the numerous local markets, growers may not receive prices corresponding to those prevailing in larger market areas. Growers may not have all the market information necessary to maximize their returns, or there may be too few buyers to establish these prices. In this case purchases might be managed not so much to raise the general level of prices for the commodity as to correct maladjustments and assure each seller a fair return in relation to the level of price already prevailing. A variation of this situation may be found where growers must sell through shippers and dealers who assemble, grade, and pack the commodity for commercial sale but charge a high fee for such services. In making purchases under such conditions, the manner in which the price shall be divided between the packers and growers may be stipulated, and thus some reductions in handling charges may be secured.

Sometimes the purchase is designed to affect one particular market use out of the many possible uses of the commodity. For example, it may seek to influence marketing in the fresh form rather than in the canned or dried form which may be relatively noncompetitive. Or it may seek to aid commercial producers in spite of the fact that there are large noncommercial supplies which might be offered for sale if prices were sufficiently attractive. There are a number of

possible results. It is quite probable that in the absence of other restrictive factors, temporary price increases resulting from purchases will increase sales in the channel being affected by an amount equal to as much as the quantity diverted for relief consumption. In other words, the volume sold in secondary or by-product channels, or the quantity going to waste or into inventories, will be reduced. In this case the price in the directly affected market may be no higher than previously, and grower returns may be increased only by the difference between the probable returns in the alternative markets and the commodity expenditure made by the relief purchase.

The utilization of supplies in stores, commercial sales, home consumption, feed, noncommercial production, waste, or secondary commercial outlets varies among commodities. Consequently the actual effect of purchases on prices will depend on the possibility of alternative uses. For commodities such as rice it is apparent that there is relatively little that can be done with the crop other than sell it for food consumption or hold it as stock. The alternative choice for oranges is limited, though by-product outlets have been developing. For potatoes and apples, on the other hand, there is much more flexibility in the possible use of the harvested crop.

Even where the supplies in a particular market use can be expanded by diversion from other possible uses, the objective may be to stimulate grower prices and returns in a single sales channel. Success in achieving the objective will then depend on the price policy adopted and on the nature of the industry organization and its cooperation with the ideals of the purchase.

Another situation within which the purchase program may operate is one in which competition is substantially limited. This is typical of many of the processed commodities. Here there are numerous growers selling to a relatively small number of buyers who process the commodity. The buyers in turn resell the processed commodity in a market in which each seller has a substantial degree of price control. In such cases relief purchases may benefit the processors more than the producers.

In some instances the marketing organization may permit powerful manipulation to depress grower returns during the period of peak production to levels unwarranted by supply and consumer demand factors. Once the producers have sold the bulk of their supplies, efforts may be made to increase prices substantially. In such cases purchase activities may be motivated by a desire to manipulate the market in the interest of growers, and for the definite purpose of offsetting or nullifying manipulative influences already present. A modified form of this situation would be one in which the purchases were made to strengthen the efforts of a producer cooperative which was already attempting the same thing.

PURCHASES AS SUPPLEMENT TO OTHER PROGRAMS

Purchases also may be made to supplement a comprehensive industry program. For example, they may be made in connection with a marketing agreement through which organized producers and market agencies are working out a degree of control over marketing practices, distribution of supply, and prices. In this case a purchase might be made to prevent the entire marketing organization from

breaking down because of a temporary or permanent defect in the industry program. Insofar as they support this marketing approach, purchases may be far more significant than is indicated by the increased demand or reduced commercial supply which they make possible.

For some commodities increased shipments may be induced by the mere announcement of intentions to purchase at some stated level or prices. With large supplies and a declining market, local dealers, wholesalers, and retailers may be unwilling to buy in substantial quantities for future needs because of the prospect of lower prices at a later period and because of the fear that their competitors may secure supplies at lower prices than they. In such instances the announcement of a relief purchase program may immediately remove the uncertainties which have prevented the desirable commercial shipments.

EFFECTS OF PURCHASES ON PRODUCERS

The foregoing market conditions are some of the economic situations within which the purchase programs must operate. Although the scope of this report does not permit detailed quantitative estimates of the effects of all the purchases which have been made, brief preliminary appraisals of results have been made for some of the outstanding programs. The following pages summarize some of the preliminary conclusions that have been reached.

In the case of purchases of prunes, grower prices seem not to have been greatly stimulated by purchases, and the increase in grower income was probably not as great as the amount expended in the prune programs. On the other hand, inventories were reduced and total consumption was increased. Of the various methods of purchase employed, purchases from packers, conditioned upon their purchasing a large quantity from growers at stipulated prices, were apparently the best means of assuring benefits to growers.

In the case of apples, total consumption may have increased and fresh utilization was probably increased by the purchases. Grower returns on the whole were probably not increased by more than the money expended, but in many local areas growers were better able to obtain the "going market" price than they otherwise would have been. Prices for relief purchases were well above the market in many areas. Some progress in developing regional and national approaches to better marketing was apparent. The most effective results in apple purchases, however, appear to be encouragement of better grading and packing, and the introduction of a factor which assured the "going" price to growers in isolated markets.

The dairy-products program has included purchases of butter, cheese, evaporated and dry skim milk, and purchases of fluid milk in the Boston milkshed. Increased returns to growers probably exceeded the total Government expenditures. The technique employed dealt primarily through central-exchange purchases, or through bids from processors. Consequently, producers' responsibility for improving their own situation was not developed. Egg purchases were small compared with production. They were timed to offset abnormal seasonal price declines and the possibility that low prices would result in reduced productive capacity. During purchase periods at-

tention was directed to unusually wide retail-wholesale price spreads, which frequently declined after this publicity.

Cattle purchases in 1936 and cottonseed-oil purchases in 1937-38 were very small as compared with the total volume marketed. They were designed to offset potential price declines as a result of excessively large supplies. They appeared to provide a psychological support to markets that otherwise might have been at least temporarily depressed. The nature of the farmer's methods of marketing cottonseed, as compared with the cottonseed-oil market, makes it doubtful that many producers, especially small-scale producers, could participate in the effects of market price increases in cottonseed oil.

The Arizona, California, Florida, and Texas grapefruit and orange purchases probably increased grower income by an amount substantially in excess of Federal expenditures, and generally supplemented or encouraged Federal marketing agreements. Price methods varied. For Florida oranges in the 1937-38 season, prices paid for relief fruit were well above comparable commercial returns for most of the purchase period, and this may have unduly accelerated shipments. A flexible price, following the commercial market more closely, appeared to be better adapted to the needs of the industry. In California the purchase prices were less frequently above the comparable commercial prices in the 1937-38 season. The nature of the California marketing organization and the needs of the industry seem to warrant the adoption of a "surplus" price approach (i. e., a price below the going market) for purchases.

The potato program appears to illustrate effective use of purchases in aiding an industry through a conservative price position. The activities apparently prevented temporary or unwarranted weakness in local prices or sales, and appear to have been a factor in stabilizing both farm prices and the rate of marketing.

The southern cabbage program was an effective program in terms of timing, improved market practices, and grower prices and long-time results. Prices were comparable to or below the commercial level. Purchases were made so as to prevent a very high peak in the commercial shipments. Direct encouragement was given to improved grading. The industry is now seeking a more permanent means of establishing better marketing practices to supplement purchase activities.

EFFECT OF PURCHASES ON CONSUMERS

Consideration of the effect of purchase programs on consumers and consumer expenditure, like the evaluation of the effects on producers' prices and income, necessitates conclusions about what might have happened in the absence of purchase activities.

The effect of purchases on consumers and on total expenditure by consumers has varied. For apples, total utilization in the fresh form and possibly total consumption increased with little if any effect on consumer prices or expenditure. Consumer expenditure for prunes, and possibly for rice, may have increased slightly. Consumer expenditure for oranges was probably unaffected and may have decreased, with regular consumption reduced by somewhat less than the quantity diverted to persons on relief. Total consumption of oranges was probably larger than it would have been otherwise. A

substantial part of the grapefruit purchase increased total consumption without changing consumer prices or expenditures. Expenditures on potatoes were probably unaffected, and may have decreased because of the greater stability in market prices. Consumer expenditure for dairy products probably increased. The egg program may have reduced consumer expenditures.

So far as programs were successful in increasing grower returns by more than the total relief expenditure, regular consumption (though not total consumption) decreased below what it might have been otherwise. It should be noted, however, that in most cases the actual quantity going to regular consumers was at or near record levels and frequently reached a peak during the period under review. In most cases, preliminary analysis leads to the conclusion that consumer expenditure remained the same or decreased. Whether consumers were worse off, even where their expenditures increased, depended upon whether their incomes were constant, rising, or falling.

A number of new products for home consumption, especially dry skim milk, potato starch, or potato flour, have been made available. New market areas also have developed, especially in the case of citrus.

ENCOURAGEMENT OF DOMESTIC CONSUMPTION

In carrying out the mandate of Congress to encourage domestic consumption by diversion from the normal channels of commerce, much more attention might be given to the means through which this encouragement may take place. For instance, there are many cases where realistic analysis would indicate that the best aid to growers would result from a decision to reduce prices and move into consumption the maximum quantity possible. This is particularly true for some of the nonperishables. Here the problem is not a problem of typical seasonal variation, for in these instances the price fluctuates around the seasonal average largely in accordance with variations in consumer income, exports, and other short-run factors in the market.

The penalties that growers pay for excessive supplies may be twofold: Their returns may be reduced in the particular year of the excessive supply; and, since part of this supply will be held by dealers as inventories, their returns may be adversely affected in the succeeding year or years as well. Growers as well as consumers would gain most if a program were developed with the main objective to move the maximum quantity commercially that would leave the market relatively free for the succeeding crop. The mere decision to purchase may contribute nothing to this end, and may in fact prevent it. Injudicious announcements and promises may result in attempts by growers to hold for prices which cannot be maintained; or purchases may be made use of to remove "weak sellers," with a consequent stiffening in inventory prices. It is obvious, therefore, that if programs are to be successful they must have the close cooperation and understanding of the producer.

There is a place in the purchase procedure for stipulated conditions which would make purchases a premium on increased sales. For nonperishable commodities, relief purchases might be made only in connection with a certain volume of regular commercial sales. In other words, purchase would then be a bonus for increased commercial sales. For every sale of X units commercially, relief pur-

chases might be made of Y units. This would seek to encourage the maximum disposition of the crop compatible with reasonable returns to growers. Such an approach would materially broaden the term "encouragement of domestic consumption" and assure wider benefits from the purchases.

Another phase of the program to increase domestic consumption which could have a greater place in activity is illustrated by the dry skim-milk program. In the South particularly, dry skim milk is a material aid to the diet. Interest is being developed in its commercial sale. Up to the present time, however, there has been very little retail sale, the available commercial product selling for 35 to 80 cents a pound in a few areas. Analysis of the potential commercial use and distribution of the commodity indicates that it is not likely to be a competitor with other milk products, especially if distributed to low-income groups. The experience in distributing this commodity for relief purposes at a total cost which would presumably enable retail sales at about 10 cents per pound means that a real commercial market is available for a product which would have extremely desirable nutritive effects on low-income groups. Purchases could be more distinctly turned into a constructive program for the encouragement of domestic consumption if the industry more carefully studied the methods and results of distributing this commodity to relief families. A subsidy program for retail sales might be adopted. A more progressive step would be for the industry to bind itself, as a condition of further purchases, to make available for retail sale at a price not in excess of 10 cents per pound a certain quantity which would have a direct ratio to the quantity purchased for relief distribution. There is probably room for a similar type of program in connection with the potato-starch and potato-flour program carried out in the current year.

In view of the prospects for very large supplies of both oranges and grapefruit, substantially cheaper marketing costs will have to be devised. The alternative will be for producers to dump very large quantities of their annual production, or to appeal for increasingly large purchase programs. Growers will find it of value to study the comparative cost of the various methods of handling the commodities and comparative returns from sales. Purchases should be looked upon by the industry as an experimental method in finding effective and cheaper means to market their crop.

Industry members should be encouraged to study closely the distribution of commodities to persons on relief. The distribution record on dry skim milk, potato starch and potato flour, and Florida-Texas grapefruit, for example, can be important information to industry groups. They will find that relief commodities have been distributed in areas which previously have received very small quantities, or none at all. It is obvious that it is easier to give away food than to sell it, yet the distribution analysis can be a good supplement to the marketing information of industries which are genuinely concerned with widening their commercial markets, especially among low-income groups.

STABILIZING PRICES

Purchases can aid consumers as well as producers by stabilizing prices. In the absence of programs, consumers have to spend more

money since low prices are followed by high prices and the total expenditure is greater when this happens than it would be otherwise. It may be noted that this happens only under certain specified conditions; nevertheless, this possibility deserves closer attention. Conceivably a storage and purchase program could be devised for such commodities as butter and eggs which, though involving relatively small purchases, would aid consumers as well as producers. It is quite likely that when the necessary conditions for such a program to be economically sound are fulfilled, gross returns to producers might be no greater than they would be in the absence of a program, but on the other hand the returns should be very much more equitably distributed among all producers, and other economical adjustments might be made in production costs that are difficult under unstable prices.

THE PLACE OF PURCHASES IN AGRICULTURAL POLICY

There appears to be a definite place for purchase activities as a supplement to other agricultural programs. In general, their purposes will be to encourage domestic consumption of agricultural commodities and improve grower income. In many cases they may be the forerunner of a marketing agreement or other organized activities among producers to aid in solving their marketing problems. Frequently they can be utilized where institutional factors and lack of understanding prevent the successful adoption of the marketing agreement approach.

The effects of a purchase may be very unspectacular and frequently very small; nevertheless, the contribution may be great. There may be a number of growers in local areas who cannot ever be certain of achieving the so-called market price. There are not enough dealers in such areas to assure competitive conditions, or dealers may delay entering the areas until the most favorable part of the marketing period has been completed. In such instances, methods used in making relief purchases may enable growers to secure the going market price.

In many areas, notably the South, there is a wide field for encouragement in use of grades and grading. Other commercial areas secure premiums on supplies while many of the southern supplies do not clear transportation charges. The agency making relief purchases can be an educative force in improving grading and packing standards in these areas.

Relief purchases can be helpful in relieving what may be called intra-seasonal surpluses for perishable commodities. Weather factors may delay or speed up harvest in various parts of the country, with the consequence that normally noncompetitive areas overlap. Under these circumstances, the majority of the growers may be forced to accept prices on their total crops which are depressingly low, and substantial quantities of the crop may be left unharvested. Removal of a part of the potential commercial supplies at the peak of the shipping season is a means of offsetting the worst effects of an excessive rate of shipment.

Relief purchases may serve to salvage supplies that might otherwise not be sold. Canned commodities which are likely to spoil if held over at the end of the season, and fruit that under quarantine

laws will have to be destroyed, can be purchased and utilized. However, if salvage is to be the objective, care must be taken that the purchases do not hinder regular marketing. Purchases for this purpose should probably be made at the end of the season, and at salvage prices.

II. DIVERSION TO EXPORT AND NONCOMPETITIVE USES

Like purchases for relief distribution, the various diversion plans which have been developed are designed to benefit farmers by disposing of supplies deemed to be excessive. In general these plans seek to shorten supplies and raise prices in the principal channels of trade by diverting to other outlets a larger part of the total supply than they would otherwise absorb. Such outlets include new and prospective uses for the product when they can be found, byproducts, and exports.

EFFECT OF EXPORT AND DIVERSION PLANS

In general, price and income effects depend upon the characteristics of demand in the individual outlets among which diversion is effected. If supplies for the principal market outlet can be shortened by diversion to a noncompetitive outlet in which demand is more elastic, growers' returns will be increased.

In order to evaluate effects of a given program, it is necessary to know the manner in which prices respond to changes in volume in each outlet. But many other considerations must also be taken into account, and in practice the influence of a diversion plan upon the operation of the market may be affected by all of the conditions which were mentioned in relation to the effects of purchases for relief distribution.

An analysis of each individual diversion plan is impracticable in a brief report. Therefore, as in the case of purchases, this account is limited to observations and studies of a preliminary character.

The prune diversion program.—The prune diversion program is a good example of the type of program in which the market trend has been downward for more than a year despite the purchase and diversion programs. As the amounts purchased for relief were in much larger quantity than those involved in the diversion programs, it may be considered that the principal market effect was caused by the purchases. On the other hand, on the theory that any reduction in supplies will cause an improvement in prices, the diversion of several thousand tons of prunes from crops amounting to 200,000 tons or more must have had some beneficial effect on the price. However, in a declining market it is not possible to show a price improvement and it can only be indicated, as a matter of analytical conclusion, that the decline would have been greater, and possibly more rapid, without the assistance given by the diversion program.

The four principal factors in the decline of prices in prunes appear to have been the increasing supplies from large crops over which there was no control, the decrease in domestic demand (probably due to change in public preference in favor of fresh fruits available in increasing quantities), the decline in the foreign demand due to restrictions and financial conditions in foreign countries, and the

changes in consumer income. In the face of these conditions, the improvement of the quality of the packed prunes resulting from the diversion program can be considered an important factor in holding and even improving consumer demand, whereas the weakening of quality standards would have had the opposite effect and would have caused a loss in consumer trade because of dissatisfaction with the quality.

The walnut, pecan, and peanut programs.—The walnut program is essentially an attempt to find a market for a recurring surplus, and while the diversion into shelled walnuts may over a period of time increase the quantity of walnuts consumed because of the ease with which the shelled walnuts can be handled and used in standard food products, it is probable that the expansion in the use of shelled walnuts will eventually cause this article to replace a certain part of the demand for walnuts in the shell. Consequently, diversion cannot be considered a permanent solution of the problem.

In the export program, walnuts must meet the competition of a large production of walnuts in various parts of the world and consequently the export sales become a matter of price competition (except for the effect of the somewhat better quality of the American walnuts). On this basis the export program is not a permanent solution unless the Government policy is for continuous subsidies on this article.

In the pecan programs the benefits paid were all on exports whether the pecans were exported unshelled or shelled. Here, as in the case of walnuts, the main objective is the removal of the surplus pecans from the domestic market. The competitive situation in foreign markets is entirely different from that of walnuts, since, except for a small quantity produced in Mexico, the world supplies come entirely from the United States. This presents an opportunity for the sale in foreign markets of an article which was heretofore practically unknown, and it can be considered that the benefit payments are a temporary measure to aid in the establishment of permanent markets abroad. On this basis, the benefit payments should be gradually reduced and finally eliminated when the permanent markets have been established.

The peanut diversion programs are a completely different type dealing with an annual crop which may be increased or decreased by factors quite apart from the marketing situation for peanuts. In fact, studies of the peanut situation result in a quite clear indication that the plantings of peanuts are influenced largely by the price of cotton and by cotton market prospects. In addition to the current price relationship, there is still the necessity of determining the effect of reductions in the cotton acreage which may easily cause a further increase in the peanut crop by making more land available.

Consequently, the peanut plans were designed essentially to save the producers from ruinous prices which may be expected when an attempt is made to market supplies which are considerably in excess of the demand. In the last program covering the 1937 crop the quantity of peanuts diverted was about 12 percent of the total crop, but the diversion of this quantity from the normal markets has made it possible for the producers to maintain prices at reasonable levels so that the producers were benefited in crop income to an amount

several times that which will be expended on the program. Failure to divert the percentage mentioned would have left a pressure of excess supplies which undoubtedly would have resulted in a severe decline in prices on the whole crop.

It should be noted, also, that the product into which the peanuts were diverted is clearly noncompetitive with peanuts as nuts or with the regular by-products such as peanut butter, etc., while the amount of peanut oil produced under the diversion is actually a negligible quantity when compared with the other edible oils available.

The pear and coffee programs.—The fall and winter pear program and the Puerto Rican coffee program are examples of diversions to places within United States territory, although the coffee program more nearly resembles an export program because of the geographical separation of the Island of Puerto Rico from the United States.

For fall and winter pears the greatest possibility for expansion appeared to be in the continental United States, and the objective of this part of the program was to develop markets in places where these pears were comparatively unknown, with the possibility that the expansion of these new markets might eventually be sufficient to take up the increase in production. This type of program should be considered to be a temporary help, because at some point these new markets will have to be classed as normal markets, after which the industry must take care of the marketing problems in the present diversion markets in the same manner as in the normal markets.

The orange program.—The orange diversion program for California and Arizona represents assistance to an industry which has for years tried to take care of its own marketing problems through a marketing agreement. In working out its own destinies it has been helped by the fact that one large and several smaller marketing associations together handle 85 percent of the oranges shipped. Texas has had a citrus marketing agreement for the past year which was used to a small extent on oranges. The other principal producing area, Florida, does not have a marketing agreement, and although there are a number of cooperative marketing groups, these groups have not yet come together with any unified plans for their own local production.

While the California and Arizona industry, under the marketing agreement, regulates the weekly shipments into the markets of the United States and Canada and spreads the shipments over as long a period as possible, it was found in 1938 that the combined shipments from all sources reduced prices to a very low level. At the same time, because of the marketing agreement restrictions, the California-Arizona shippers had quantities of oranges left over for which there was no market. The A. A. A., therefore, agreed to a general plan which combined purchases for relief and a payment for diversion into by-products so as to provide some return to producers for the oranges which could not be shipped into the normal markets or exported. On the other hand, if these surplus oranges had been shipped into the regular markets even lower prices might have been received for the whole crop.

The flax programs.—The two programs covering flax are the only programs which have been developed under the present clause (3) of section 32 which seeks to "reestablish farmers' purchasing power

by making payments in connection with the normal production of any agricultural commodity for domestic consumption." The flax programs have as their objective the maintaining of a rather small industry (which includes both farmers and cooperative factories) that has for its purpose the production of an article which was formerly almost entirely imported. The amounts paid to the grower as benefits were intended to increase the returns to a reasonable price based on previous experience and, in a measure, to carry out the provisions of clause (3) by restoring the farmers' purchasing power to that extent.

Problems for the future.—It is not possible to formulate definite diversion and export plans for the future because of the changing conditions and different situations which relate to each of the agricultural products. It is possible, however, to suggest some general approaches which may be followed and to arrive at some conclusions as to the effectiveness of these types of programs.

Before specific references are made to the various problems, recognition should be given to the fact that the program concerns different types of products which may be broadly classified as tree crops and annual crops. In this classification, crops must also include such vines and other plants as will produce new crops each year without further planting.

In tree crops, as a rule, there is a heavy investment which represents the actual cost of planting and bringing the trees to maturity, in addition to paying taxes during a period of several years when there is little, if any, revenue produced from the land.

The surplus production of tree crops today is the result of heavy plantings in times of prosperity and high prices several years ago, and with these new plantings coming into bearing, together with a normal increase in the production of the older trees, the result is continued overproduction in some crops and occasional overproduction in others.

In annual crops, production is subject not only to weather conditions but also to the decision of farmers as to what quantity they will plant each year; and in many cases the maintenance of high production or increases in production are the result of desperate attempts on the part of farmers to find some use for their lands which will bring some net return.

In all types of farm products, whether they be annual or tree crops, plans should not be so sufficiently liberal as to encourage additional plantings of crops already plentiful or in oversupply.

In formulating plans for tree crops, it is desirable to use different methods for those which continually produce more than the consumer demand and those which only occasionally produce such surpluses. For the former type, the industry can be helped by diversion plans but these should be regulated in such manner as to indicate clearly to the industry that payments will not be made indefinitely and that the money to be expended for the benefit of such industry must be reduced both in total amount and per unit payments. In this way the industry will be forced to find for itself a method of improving its situation and will be encouraged to cut off the farms or portions of farms which cannot produce on a low cost basis.

Other types of tree crops have only an occasional surplus which may be due to unusually favorable weather conditions. In normal years the production is about sufficient for the demand at reasonable prices and in years of bad weather may be less than the normal demand. In such cases, some help can be given under section 32 if an excessive crop is so large as to cause such low prices that the total income, even on the increased crop, is less than a fair return.

The annual crops are also susceptible to weather conditions, and when a normal acreage produces an excessively large crop similar benefits can be obtained by the diversion of all or a portion of the surplus. On the other hand, where the crop produced is continually in excess of consumer demands some other remedy must be employed.

BENEFITS AND LIMITATIONS OF THE EXPORT AND DIVERSION PROGRAMS

The description of the various export and diversion plans under section 32 and the conclusions drawn as to the benefits thereof indicate that the diversion and export plans have been of value to producers. Prices on sales in the normal markets have been improved. In some places markets have been developed for certain products where previously they had been practically unknown, and in other places consumption has been stimulated. In a few cases export markets have been developed to an extent that should result in a permanent increase in exports. Moreover, certain industries have become conscious of the fact that sales and prices are both increased by the elimination of poor grades and substandard grades from the normal distribution.

An important advantage of the diversion procedure, which is also shared by purchases, is that it can be made quickly available to an industry which is in need of immediate assistance. It is not possible to foresee the situation which will arise in connection with each farm product, either before it is harvested or while the harvest is in progress, but the broadness of the language of section 32 permits the prompt establishment of a diversion, export, or purchase plan, whichever will best meet the needs of the situation.

The appropriation is not sufficiently large to carry out diversion, export, and purchase programs for all of the farm products which are not producing satisfactory returns, and consequently its use must be restricted to projects of moderate size. In the last amendment to section 32, which was included in the Agricultural Adjustment Act of 1938, Congress expressed its purpose on this point by adding the following clause:

Notwithstanding any other provision of this section, the amount that may be devoted, during any fiscal year after June 30, 1938, to any one agricultural commodity or the products thereof in such fiscal year, shall not exceed 25 per centum of the funds available under this section for each fiscal year.

It is obvious that diversion, purchase, or export plans relating to cotton, grain, and any other of the larger crops could easily use a large part, if not all, of 1 year's appropriation; consequently, the plans for such crops should be the result of special legislation and special appropriations.

In attempting to make adjustments in surplus crops the first principle to be followed is to find, if possible, some means of dis-

posing of the crop which is produced and only secondarily to find a means for adjusting the crop to avoid the surplus. Diversion, export, and purchase plans are very effective for this purpose, especially where the surplus is small compared to the whole crop. In some cases, however, the surplus is so large and continuous that section 32 plans can only be estimated as having prevented the situation from getting worse.

Export programs are limited by the competition from other countries and by the ability of the foreign markets to absorb the additional quantities which are exported under a subsidy plan. Diversion programs are limited by the possibility of finding a market for the byproducts. In the majority of cases markets can be found without difficulty for the quantities which it is necessary to divert, but at other times it is necessary to limit the diversion plan to prevent putting the byproduct market into a similar distressed situation.

Undoubtedly some competitive effect arises when the quantity of a certain byproduct is increased; and it is important that this situation be controlled if the byproduct will cause a direct unfair price competition with a similar standard article. One of the principal advantages to be sought after in diversion programs is the establishment of a byproduct which will continue the use of the farm product over a period of years, thus opening up a new outlet.

III. PROGRAMS FOR GENERAL CROPS

Each marketing agreement, license, or order involves some modification of the economic mechanism of the market and attempts to regulate some aspects of the marketing process. The exact character of this reorganization and control depends upon the economic provisions of the plan applied in each individual case. Hence, the experience with these programs can be evaluated most conveniently by considering the more important types of provisions which have been employed.

The principal economic provisions included in the programs for general crops have related to the regulation of total volume, grades and sizes, and minimum prices and price posting. In addition several programs, particularly in the early period of operation, have included provisions designed to regulate various trade practices and charges of handlers, but these are of less significance and will not be examined here.

VOLUME REGULATION

Volume regulation has been provided for, either directly or indirectly, in all but 1 of the 22 marketing agreements and licenses or orders which have been placed in operation under the auspices of the General Crops Section from its beginning in 1933 through the 1937-38 season. During the 1933-34 season, there were 7 marketing agreements and licenses in operation administered by the General Crops Section. During the 1934-35 and 1935-36 seasons, 18 marketing agreements operated under the supervision of the General Crop Section, and during each of the last two seasons there have been 8 marketing agreements, regulation provisions of which were in operation.

The number of marketing agreements and licenses or orders in operation annually during the five seasons of operation of the General Crops Section, classified by type of commodity and the nature of volume regulation effect, is given in table 29. The figures in table 29 do not include marketing agreements and licenses or orders which were in effect but for which no regulations were issued under the regulation provisions included.

TABLE 29.—*Number of marketing agreements and licenses or orders in operation, classified by type of commodity and nature of volume regulation annually, 1933-34 to 1937-38 seasons*

Type of commodity	Nature of volume regulation	Operation of volume provisions	Marketing agreements in operation for the season 1—				
			1933-34	1934-35	1935-36	1936-37	1937-38
Nonperishable:							
Canning commodities.....	Limitation of season.....	Operated.....	1	3	2	---	---
Turpentine and rosin.....	Volume of supplies.....	Provided but not operated.	1	1	---	---	---
Walnuts.....	Market discrimination.....	Operated.....	1	1	1	1	1
Dried fruits.....	Control of movement from growers to packers.	do.....	---	2	---	---	---
Package bees and queens.	No volume regulation.....	No volume provision 2	---	1	---	---	---
Semiperishable: Citrus fruits.	Period-to-period regulation of shipments.3	do.....	---	1	1	1	1
		Operated.....	2	3	1	2	2
Perishable: Fresh deciduous tree fruits, vegetables, and vine crops.	do.....	do.....	1	4	2	4	3
All commodities.....	All volume regulation.....	Provided but not operated.	1	3	2	---	1
		Operated.....	5	13	6	7	6
		Provided but not operated.	2	3	2	---	1
		No volume provision.....	---	2	1	1	1
Total.....			7	18	9	8	18

1 1933-34 relates to commodities marketed in 1933 or 1933-34.

2 Volume regulation of California dates was implied by use of minimum-price provision.

3 Does not include the marketing agreement and order for California-Arizona cantaloupes and honeyball and honeydew melons, effective May 20, 1938.

4 Volume regulation of California-Arizona oranges was discontinued during the period June 5, to Nov. 7, 1937.

The Marketing Agreement and License for Shippers of Package Bees and Queens Produced in the United States is the only marketing agreement and license which does not provide for or imply the use of volume regulation to achieve its purpose. The minimum prices established during 1934 and part of 1935, and price-posting provisions in effect subsequently, were designed to prevent "chiseling" rather than to establish prices which were designed to return producers some "reasonable" return and to maintain which volume regulation was implied in the event it may have been necessary. One other marketing agreement and license, that in effect for California date shippers, did not include a provision for volume regulation though volume regulation was clearly implied in the event supplies became available in excess of the quantities which could be sold at the minimum prices established.

Volume regulation is designed to control the volume of or the movement to market destinations of shipments of a given commodity during a given period of time. It is a type of regulation which un-

dertakes to modify available market supplies for the purpose of increasing grower returns. In practice its application results in surplus pools for nonperishables, in what is considered "orderly flow" to market for semiperishables, and in complete elimination of part of the available supplies in the case of perishables. It is a difficult type of regulation to administer in that it presupposes accurate determinations of available supplies and equitable allotment of the advisable market quantity to shippers on the basis of their holdings of the available quantity.

The effect of low consumer purchasing power upon growers following 1930 was such that large crops in many cases returned growers prices which barely, if at all, covered cash outlays for harvesting and marketing. Under these conditions, the prime objective of growers was to curtail the quantity of supplies marketed to a point at which grower prices and returns would be substantially increased. As conditions of demand improved, however, grower prices increased above the emergency levels and grower returns began to improve. Also, public sentiment, because of rising prices of food staples in 1934, went against reduction of season supplies of any agricultural products. As a result of these factors, the emphasis in marketing agreement programs was shifted from curtailment of supplies to "orderly marketing" of supplies. The principal aim under "orderly marketing" programs has been to market the entire merchantable supply in such a manner as to obtain the largest possible season total returns for growers from that supply.

The transition from volume restriction to volume regulation reflects a transition from an emergency or depression approach to a "long-time" or "normal" approach to the problem of increasing grower returns. The practice of reducing supplies available for market during periods when consumer buying power is higher than at depression levels is likely to be unsound in that it tends to increase prices and grower returns above what may be normally expected for the producing capacity or facilities of the industry whose supplies are reduced, and thereby promotes increased plantings or retards the reduction in producing facilities which may be necessary.

Types of volume regulation.—There have been four principal types of volume regulation placed in effect under marketing agreements and licenses or orders, namely, (1) regulation of the total quantity of the commodity to be marketed during a given season, (2) regulation of the volume going to one outlet in order to divert a larger supply to an alternative outlet, (3) regulation of the flow to market during periods within a given season, and (4) regulations of the movement to destinations.

QUANTITY REGULATION.—Regulation of the total quantity of a given commodity to be marketed during a season has been undertaken in agreements relating to canning commodities, raisins, and turpentine and rosin. Regulations of this nature have limited the quantity of the commodity to be marketed during a given season and have been undertaken only when conditions of demand were such that a smaller total return would have been received for the larger quantity which would have been marketed in the absence of such restriction. When the total quantity of a commodity to be marketed during a season is decided upon by a group of growers, this form of action has a tend-

ency to improve their bargaining position. Generally speaking, processors and handlers are fewer in number and better organized than growers and consequently have a more favorable bargaining position when growers are unorganized.

OUTLET REGULATION.—Diversion between outlets has been undertaken in the marketing agreement relating to Pacific coast walnuts. Such diversion is possible when a commodity may be marketed in two or more independent markets, and when conditions of demand in these separate markets are such that grower returns may be increased by regulating the flow to each. Pacific coast walnut growers have been able to increase returns from such market conditions by diverting a portion of the merchantable supply from the domestic unshelled market into exports and the shelled market. The demand for walnuts in the domestic unshelled market is less elastic than the demand in the export and shelled channels; consequently, the increase in domestic unshelled price when quantities are diverted from that market more than compensates for the decrease in prices in the other markets because of such diversion. The result has been an increase in total returns for growers. The difficulty of providing equitable treatment for individual growers in pooling returns, however, makes the application of this type of volume regulation extremely limited.

PERIOD REGULATION.—Volume regulation was undertaken during the 1934-35 season in marketing agreements and licenses relating to dried prunes and raisins produced in California to effect a regulated flow of the commodities from growers to packers by placing control of a portion of the crop in the hands of grower committees. This surplus pool was designed to improve the bargaining position of growers and to assure growers that packers' margins from the sale of these crops would not be excessive. The grower market for dried prunes and raisins is normally a speculative one and packers tend to buy heavily during the fall months immediately succeeding the harvest of the crop. These marketing programs were instituted on the premise that grower committees, having control of the movement of a portion of the crop, could force packers to distribute their purchases more evenly over the season rather than concentrate their purchases during the earlier part of the season. The latter practice both unduly depressed the grower market and enabled packers to take advantage of whatever rise might occur throughout the season in prices for the commodities. Provisions were made in both of the above-mentioned programs for the diversion of low-grade prunes and raisins from normal trade channels in order to prevent blending of lower grades with the approved grades, thus insuring a high quality of the commodity.

Regulation of the flow to market during periods within a given season has been undertaken, also, in marketing agreements and licenses or orders relating to citrus and deciduous fruits, vegetables, and vine crops. Regulation of shipments from period to period within a season is usually carried out by effectuating decisions on the part of industry committees (subject to the approval of the Secretary) relating to the quantity advisable to be shipped during each period. This advisable quantity is then allotted to shippers, who are permitted to move a portion of the supplies available for shipment during the given period. In the event that supplies available during the sub-

sequent period are in excess of the quantity deemed advisable to be shipped during that period, the process is repeated.

Movement of California Bartlett pears to interstate markets under the California Fresh Deciduous Tree Fruit Marketing Agreement was regulated by means of the "car concentration" plan. This type of program, effective when the commodity can be held in car storage and when there is only one transportation route from the producing area, provides an alternative method of periodic regulation of the volume of supplies moved into market. Under this program, cars were released from the producing areas in an orderly manner and in the order of their time of arrival at "concentration points," while their arrivals at "concentration points" were held in reasonable check when necessary by picking holidays.

A second alternative form of regulation of shipments from period to period is the shipping holiday found in the watermelon agreements. With too many different growing and marketing conditions existing in the watermelon-producing areas for an equitable regulation of shipments to be established, the shipping holiday was instituted in order to prevent excessive movement to markets during any period of time. Experience with this type of regulation indicates that unless regulations can be established to prevent excessive shipments in anticipation and immediately succeeding the holiday period this form of periodic control of shipments lacks effectiveness.

The marketing program established under volume regulation provisions of the California dried prune marketing agreement during the 1934-35 marketing season purported to improve grower prices during the heavy marketing season by controlling the movement of a portion of the crop.

Orderly movement of California dates from growers to distributors was implied in the marketing agreement and license for California date shippers, effective during the 1934-35 season. This marketing agreement provided for minimum prices to distributors, which were to be adjusted on a monthly basis to effect a movement of California dates from growers which would result in maximum grower returns for the crop.

MOVEMENT REGULATION.—Regulation of the movement to destinations is a form of volume control which has been used once in marketing agreement programs, under the Florida Citrus Marketing Agreement and License during the 1934-35 season. The purpose of this regulation was to allot movement to various market areas in order to promote an orderly movement to all market areas, thereby preventing excessive supplies in some areas in contrast to shortages at the same time in other areas. Experience with this form of volume control, however, indicates that it is not effective because of the possibility of moving the commodity after cars have been received in markets to which they were allotted. Moreover, the fact that marketing areas overlap makes it impossible to block off market areas for the purpose of proration.

The results under volume regulation.—Examination of the operation of provisions in marketing agreements and licenses or orders relating to volume regulations indicates a varying degree of success in each of the marketing agreements. Volume regulations established during the 1933-34 and 1934-35 seasons were primarily emergency

measures. They involved reduction in supplies shipped to markets and were adopted to meet emergency conditions existing during the seasons in which they were in effect. Since that date the approach has been that of providing "orderly marketing" regulations which are more consistent with a long-time point of view.

From the standpoint of influencing market prices and grower returns, the results achieved under volume regulation indicate more success for nonperishable commodities than for other commodities. Limitations of season supplies of California canning asparagus, California cling peaches, and turpentine and resin, appear to have had favorable influences upon grower prices and returns. Also, limitation of season supplies appears to be more effective in increasing grower returns when growers and processors agree upon prices to be paid growers in addition to the quantity of the commodity to be marketed. Unless there is definite assurance that competition among processors will succeed in limiting processors' margins, there is no positive assurance, in the event of a limitation of season marketings of a given commodity, that growers will receive the full benefit of the increase in prices warranted by a restriction of the season supplies.

The marketing program employing market diversion in the case of Pacific coast walnuts appears to have been successful in accomplishing its objective of increasing growers' returns during the seasons in which it has been in operation. It is not equally certain that growers receive the full benefits from a merchandising or surplus pool arrangement applied to the raisin and prune industries. These industries are in the hands of a comparatively small number of packers, and competition is limited.

The sale of tonnage from reserve pools was hampered in the 1934-35 dried prune and raisin marketing agreements by the use of "quota rights" established for packers. A packer was given a quota right in the reserve pool in proportion to his contribution to the pool, and these rights carried on and could not be terminated. Offerings of surplus tonnage, therefore, could not be purchased by packers who did not have quota rights to cover the purchases they desired to make, and, in effect, the control of the sale of these offerings was in the hands of the packers who controlled the substantial portion of the quota rights. It appears reasonable to conclude that tonnage from reserve pools cannot be sold in the best interests of growers when sales to purchasers are defined and limited by quota rights.

Examination of the operation of the marketing agreements and licenses relating to California dried prunes and California raisins during the 1934-35 season indicates apparent increases in returns to California raisin growers as a result of the operation of the marketing agreement and license, whereas California prune growers do not appear to have benefited to the same extent as did California raisin growers. Packers of both California dried prunes and raisins were confronted with heavy carry-overs at the beginning of the 1934-35 season and favored marketing agreement programs in order to protect their investments in their inventories. Thus, in the case of both of these commodities, packers, because of circumstances peculiar to that season, supported marketing programs which from a long-time standpoint may be regarded as designed to improve the bargaining position of growers relative to that of packers.

Volume regulation in the case of semiperishable commodities, of which citrus fruits provide the only example under regulation with the aid of marketing agreements, appears to have been needed only during certain periods, particularly during the Christmas season to effect increases in grower returns. Shipment patterns indicate, from the standpoint of the season as a whole, that shippers from the various producing areas have voluntarily effected some regulation upon volumes of shipments, but that a program of shipment regulation undertaken with the aid of a marketing agreement cannot be expected to materially alter the pattern of shipments over the season as a whole. Although regulation of weekly shipments of citrus fruits throughout the season may be necessary in order to obtain control during specific periods, the tangible or measurable beneficial effects of weekly proration are most evident in relatively short periods during the season. It appears that in order to insure effective proration of citrus shipments, shipments of winter oranges from both California-Arizona and Florida should be simultaneously under regulation. Moreover, volume regulation of grapefruit shipments should include regulation of shipments of grapefruit from both Florida and Texas during the same periods.

Regulation of the volume of perishable commodities shipped to market has not met with the same degree of success as regulation of volume of shipments of semiperishable and nonperishable commodities. Examination of the performance of volume regulation, in the case of fresh-deciduous tree fruits, vine crops, and vegetables, indicates that the volume moved under volume regulation has been effectively controlled only in the cases of California fresh Bartlett pear shipments (which were regulated by the "car concentration" program), California Tokay grape shipments during the 1933 season, and movement of Florida celery during the 1937-38 season. All other volume regulations effected for perishable commodities, with the exception of the two "unorthodox" regulations instituted for western Washington and Colorado vegetables, appear to have been ineffective in altering shipment patterns of the commodities involved. From a marketing standpoint, successful period-to-period regulation of shipments from principal commercial areas cannot be consistently effected over a period of years because no principal commercial area can be assured of a sufficient portion of the market to continue volume regulations over a period of time. Shipment data indicate vegetable shipments from competing commercial areas, but no data are available to indicate local production in the principal consuming areas, a production which in some instances appears to be of sufficient importance to influence prices received in the commercial areas. Volume regulation of vegetable shipment implies, because of the extreme perishability of vegetables, volume restriction. It appears reasonable to conclude that volume regulation should be employed only when the supplies of the given vegetable, conditions, and demand are such that growers would suffer greatly in its absence.

REGULATION OF GRADES AND SIZES

Regulation of grades and sizes relates to the designation of grades or sizes of a given commodity which may be shipped during any period of time. Such regulation has been authorized in 11 of the 22

marketing agreements and licenses or orders which have been placed in operation under the auspices of the General Crops Section from its beginning in 1933 through the 1937-38 season. In practice, its application has resulted in designation of given grades of nonperishable commodities which may be processed or shipped during the entire season, and in the designation of given grades or sizes of semiperishable and perishable commodities which may be shipped either during certain periods of time within the season or over the season as a whole.

Grade and size regulation, although permissible under the authority given to the Secretary in the blanket provisions of section 8, paragraphs (2) and (3) of the original Agricultural Adjustment Act of May 12, 1933, was not employed in marketing agreements and licenses relating to semiperishable and perishable commodities until the 1934-35 season. Since that time such regulation has been given increased recognition as a mechanism whereby growers of semiperishable and perishable commodities may increase their returns, and six of the nine marketing agreement programs relating to commodities of this type operating during the last three seasons have employed grade or size regulations. The basis for authorization of grade or size regulation has been clarified by provisions in the Marketing Agreement Act of 1937. Regulation of grades permitted to be marketed has been established in five of the nine marketing agreements relating to nonperishable commodities operating since the beginning of the General Crops Section.

Marketing agreements employing grade and size regulation provisions.—During the 1933-34 season, the first season in which marketing agreements and licenses were administered by the General Crops Section, there were seven marketing agreements in operation, two of which operated with regulations of grades and one of which included provisions for grade-and-size regulation which, however, were not used. During the 1934-35 season, 7 of the 18 marketing agreements in operation included regulations relating to grades of the various commodities which were permitted to be marketed. During the past three seasons, grade or size regulation has been effected in four, six, and five, respectively, of the nine, eight, and eight marketing agreement programs in operation during these seasons.

While primarily designed to regulate volume of shipments, marketing programs in five of the nine industries producing nonperishable commodities for which marketing agreements have been in operation have included regulations relating to grades of the commodity permitted to be marketed.

The marketing agreement program for California cling peaches, operating during the 1933-34 and 1934-35 seasons, included provisions limiting the packing of peaches, with certain exceptions, to No. 1 grade. Likewise, the marketing agreement for canning asparagus grown in California provided grade restrictions on canning in addition to a prohibition against the canning of cull asparagus. The marketing agreement programs for California dried prunes and California raisins, both in effect during the 1934-35 season, included provisions for the removal of substandard prunes and raisins from commercial trade channels. Growers of these commodities wished to prevent the blending of substandard dried prunes with the standard

dried prunes, a practice which led to a lowering of the average quality and, consequently, prices and returns to growers. The marketing agreement program for walnuts grown on the Pacific coast, effective each season since the 1933-34 season, includes grade regulation by requiring packers to sell walnuts which conform with the requirements of Federal standards as "merchantable walnuts." Walnuts which do not meet these standards are diverted from merchantable unshelled channels and sold in shelled channels.

The grade regulations which have been provided for in marketing agreement programs relating to nonperishable commodities have been instituted for the purpose of insuring a higher quality of sales of the product and have accompanied volume regulations of these commodities.

Grade-and-size regulations have been operated in two of the three marketing agreement programs in operation for citrus fruits during the past 5 years. The marketing agreements for both Florida and Texas citrus fruit during the 1934-35 season included regulations prohibiting the movement of low-grade citrus fruit. Grades and sizes of citrus fruit permitted to be shipped were regulated in 1936-37 in Florida and in Texas during the 1937-38 season; but volume regulation of citrus fruits through size regulation, which was attempted in Florida during part of the 1936-37 season, has been found impracticable.

That the regulation of sizes of citrus fruit permitted to be shipped may actually increase total volume of shipments is indicated by performance in Texas during the 1937-38 season. Grade-and-size regulation of citrus fruits has been established both to improve the average quality of the shipments and to prevent losses to growers which might have occurred in the event that available supplies of discounted grades and sizes had been shipped to consumers.

Regulation of grades and sizes of shipments of perishable commodities has been established in 4 of the 10 marketing agreements and licenses or orders relating to commodities of this nature in operation during the past five seasons. Grade-and-size regulation of perishable commodities was not effected in marketing agreement programs, however, until the 1935-36 season, and during the 1935-36 to 1937-38 seasons grade or size regulations have been effected in four of the six marketing agreement programs in effect for perishable commodities.

The Colorado vegetable agreement has used grade-and-size regulations effectively for cauliflower during the 1936 and 1937 seasons. When this type of regulation was first used for cauliflower in Colorado in 1936, it was apparent that the principal objective of such a regulation would be the limited restriction of shipments. Even though the control committee was at first expecting few results from the grade-and-size regulations other than a slight reduction in volume moved to already over-supplied markets, it was found upon arrival of the first few cars that the superior quality of an improved and uniform pack strengthened their competitive position on the market. Reports from buyers and receivers on the terminal markets indicated that they no longer had any hesitancy in purchasing cauliflower out of the marketing agreement area in Colorado as long as grade-and-size regulations were in effect because of the assurance that only

uniformly high grade cars would be delivered. It appeared that an improved demand for a superior pack of Colorado cauliflower, created through the operation of grade-and-size regulation, was of more value to the industry than market advantages obtained through reduction in shipments which had previously been given first consideration, and grade-and-size regulations were continued throughout the season in 1936 and repeated in 1937.

The western Washington vegetable agreement, operating during the 1934 to 1936 seasons, included a provision in 1934 for compulsory grading and inspection on the basis of grades promulgated by the United States Department of Agriculture. In 1935, the agreement was modified and provisions were added permitting the regulation of shipments by grade and size, and grade-and-size regulations were issued for shipments of peas from this area during the 1936 season. The value of compulsory inspection was recognized, and compulsory inspection was required throughout the season rather than only during periods in which grade-and-size regulations were in effect, as in most other agreement programs.

Grade-and-size regulations were provided in the amended marketing agreement for California fresh deciduous tree fruits, effective July 20, 1935, expanding the provisions of the earlier deciduous tree fruit agreement which provided for regulation by proration only. Regulation of grades and sizes continued the voluntary limitation, observed by shippers of Bartlett pears since the 1931 season, of shipments of Bartlett pears of a size smaller than 180 per box. In addition, grade-and-size regulations were established for shipments of plums during the 1936 and 1937 seasons. A further modification was adopted in the 1937 season when Bartlett pears were inspected for maturity during the early part of the season and were permitted to be shipped only if maturity requirements indicated by a pressure test were met.

The marketing agreement program for Southeastern watermelons, effective during the 1935, 1936, and 1937 seasons, provides for the regulation of shipments by grade and size, and grade regulations have been effected in each of the three seasons of operation. The use of grade regulations has presented inspection problems somewhat different from those encountered in connection with the operation of other agreements because of the relatively high charges for inspection fees. In 1937, when excessive shipments resulted in prices as low as \$30 to \$35 per car to growers, the inspection fee of \$5 per car represented a very high percentage of the total value of the shipment. In cases where the unit value of the commodity is such that the cost of the inspection is relatively low, there is usually much less objection on the part of the grower and shipper for the payment of the inspection fee.

Results under regulation of grades and sizes.—Grade-and-size regulations established for the above-mentioned perishable commodities have been established on the grounds that the grades and sizes prohibited from shipment would, if permitted to be shipped, have returned growers less than the direct charges of harvesting and marketing the commodities. In addition to prevention of losses, the regulations established had the effect of some reduction in volume of shipments and an improvement in the average quality of ship-

ments. As indicated above, grade-and-size regulations for highly perishable commodities tend to decrease the volume of shipments, and the General Crops Section has taken the conservative approach of basing grade-and-size regulations for commodities of this nature upon prevention of losses.

In view of the difficulties encountered in establishing volume regulation for perishable commodities, a matter already discussed in the section on volume regulation, it appears reasonable that regulation of shipments of perishable commodities is best achieved through regulation of grades and sizes. Moreover, grade-and-size regulation conforms to the usually prevailing grower views that the poorer grades and sizes should be "left at home." Grade-and-size regulation can, in perishable commodities, be used to effect volume regulation; moreover, such regulation does not depend directly upon estimates of quantities available for shipment for its operation.

MINIMUM PRICES AND PRICE POSTING

Minimum price provisions relate to prices below which sales of a given commodity may not be made during given periods of time. Such provisions were established in 6 of the 18 marketing agreements and licenses in operation during the 1933-34 or 1934-35 seasons. Minimum prices were set for a season or for specified periods within a season and related to prices received by growers or to prices received by handlers or processors.

Minimum price provisions were included in marketing agreements and licenses under the authority given to the Secretary of Agriculture in the blanket provisions of section 8, paragraphs (2) and (3) in the Agricultural Adjustment Act of May 12, 1933. Amendments to the Agricultural Adjustment Act of August 24, 1935, however, did not include minimum price provisions in regulations permitted to be issued under marketing agreements and licenses, but did include authorization to issue regulations providing for price posting.

Price posting requires that no shipper may quote, offer for sale, or sell the commodity at prices lower than the prices contained in his posted schedule. In the event of a price decline, shippers may issue new price schedules but are not permitted to quote, offer for sale, or sell the commodity at the new schedule of prices until a designated period of time has elapsed.

Price-posting provisions have been included in only two of the marketing agreements and licenses or orders in operation under the administration of the General Crops Section. The marketing agreement and license for Colorado peaches in effect during the 1935 season employed price posting as its principal provision. The marketing agreement and license for shippers of package bees and queens has employed price posting since the amendment to the Agricultural Adjustment Act, effective August 24, 1935, prohibited the use of the minimum price provision which had been employed in that marketing agreement and license until that time.

The issuance of regulations relating to minimum prices appealed to growers during the early years of the Agricultural Adjustment Administration because of the fact that the establishment of minimum prices provides a direct approach to the achieving of the desired goal of higher prices to growers. In attempting to achieve higher grower

prices through the establishment of minimum price provisions, however, it became apparent that growers did not in all cases give full consideration to economic forces affecting prices. Although all but one of the marketing agreements and licenses authorizing the use of minimum-price provisions included provisions for volume regulation to accomplish and make effective the minimum prices established, it became apparent that in some instances industry groups expected the mere establishment of minimum prices to accomplish the desired result of higher prices and returns to growers. The possibility of achieving higher grower prices without effective regulation of supplies, and of achieving substantial grower equity when minimum prices could be made effective without providing for allotments to growers, however, soon led to the abandonment of the minimum-price regulations as a means of obtaining higher grower prices and returns.

Pricing measures used in marketing agreements.—Minimum prices were established in marketing agreements and licenses relating to California ripe olives, California cling peaches, and Northwest fresh deciduous tree fruits during the 1933-34 season, and in marketing agreements and licenses relating to shippers of package bees and queens, California date shippers, California ripe olives, California raisins, and Northwest deciduous tree fruits during the 1934-35 season. The establishment of minimum price provisions in marketing agreements and licenses or orders subsequent to August 1935 was prohibited by the amendment to the Agricultural Adjustment Act.

The marketing agreement and license relating to California cling peaches during the 1933-34 season established minimum prices in conjunction with volume-regulation provisions set up in order to make the minimum prices effective; hence, it was founded on an economically sound basis. The volume regulations established, moreover, were the effectively operating forces, and the minimum prices established under these marketing agreements and licenses were made effective by the operation of these regulations. Likewise, the minimum prices established in the marketing agreement and license relating to California raisins, in operation during the 1934-35 season, were made effective by regulation of the volume of raisins offered for sale to packers during that season.

Performance under the minimum prices established in the Northwest fresh deciduous tree fruit marketing agreement and order operating during the 1933-34 and 1934-35 seasons illustrates the difficulties encountered with the operation of a minimum price provision when no effective control of volume is established. During the 1934-35 season, minimum prices were established for given varieties of apples sold f. o. b. in the Northwest region. No minimum prices, however, were established for auction sales of Northwest apples nor were there any regulations upon the volume of apples permitted to be shipped from the Northwest region. When apples, therefore, could not be sold f. o. b. in the Northwest region at prices above the minimum price permitted in the marketing agreement and license, they were shipped for consignment sale and upon arrival at eastern consuming markets were sold at prices determined by conditions of supply and demand in these markets. As a result of these factors,

considerable quantities of apples were sold in eastern markets at prices less on a comparable basis than the minimum prices established f. o. b. The Northwest region and grower returns for these quantities were considerably less than the established minimum prices.

Minimum prices were established, during both the 1933-34 and 1934-35 seasons, to distributors and to growers of California ripe olives used for canning under the marketing agreement and license in operation during these two seasons. Provision for volume regulation was made but volume regulations were not established, with the result that during the 1934-35 season, when the established minimum prices were apparently in excess of what could be received for the supplies available, packers began to sell below the minimum prices or to rebate to buyers in the form of brokerage and advertising allowances.

Minimum prices were established in the marketing agreement and license for California date shippers, in operation during the 1934-35 season. A sudden decrease, however, in the estimated volume of supplies at the beginning of the season eliminated the need for marketing regulation and, perhaps, fortunately eliminated also a test of minimum prices where no control of volume was provided for.

The minimum prices established under the marketing agreement and license for shippers of package bees and queens were maintained from May 1934, until August 1935, when the amendment to the Agricultural Adjustment Act forbade the issuance of minimum-price regulations. Since that time price posting has been in effect for the principal purpose of establishing a marketing mechanism for shippers of package bees and queens. Minimum prices appear to have been instituted in this industry for the purpose of preventing farmers who did not make shipping bees their principal enterprise from entering the market and underselling commercial bee shippers who apparently were quoting lucrative prices. The establishment of price posting since August 1935, which is for the purpose of establishing a pricing system to supplant the former method of correspondence between individual buyers and sellers with no universally known or accepted price during any period, appears to be more justifiable.

Price posting was in effect under the marketing agreement and license for Colorado peaches, in operation during the 1935 season. Peaches shipped from Colorado are sold f. o. b. Colorado, transactions being made by wire between buyers and shippers. Price posting was instituted during this season on the theory that in the absence of some regulation there is a tendency for shippers to underquote their competitors when indications are that the market may become weaker, thereby demoralizing the market. Prices received during the 1935 season were high in view of the large volume of shipments, primarily because of extremely small volumes of peaches being shipped from competitive States during that time. That Colorado peach growers do not consider price posting an effective mechanism for improving market prices and returns in that region is indicated by the fact that the marketing agreement and license has not been in effect since the 1935 season.

Results under minimum prices and price posting.—Results obtained from the use of minimum price provisions in marketing agreements and licenses reveal the impossibility of improving grower prices

and returns in the absence of any effective control upon the volume of the commodity shipped to market. Moreover, in the event that available supplies of a given commodity for which minimum prices have been established exceed the quantity which may be sold at the established minimum prices, grower and handler equity will be insured only by the establishment of a form of proration in which growers or handlers equitably participate in the volumes which may be sold at the minimum prices established.

Establishment of minimum price provisions during the early years of marketing agreements appears to have been a concession to current grower sentiment that low prices were due not to conditions of supply and demand but to unfair tactics of handlers. To establish and maintain minimum prices, therefore, appeared to be the most direct as well as efficient means of increasing grower prices and returns. The mere establishment of minimum prices in the absence of effective volume regulation, however, is virtually as effective as pushing on a rope from the standpoint of increasing grower prices and returns. The economic considerations relating to establishing prices are identical to those involving volume regulation. Moreover, if pricing policies are to be effective, they involve volume regulation and allotments to growers and handlers to establish and maintain substantial equity. The prohibition of minimum-price regulations as a mechanism for increasing grower returns by the amendments to the Agricultural Adjustment Act in August 1935 indicated recognition of the economic implications and difficulties arising from the establishment of minimum prices.

Price posting appears to be a reasonable measure if the intent is purely to insure the spreading of marketing information and not to exert any influence upon the level of market prices. It may be true that a demoralized market can be the result of selling activities of a minority of shippers acting upon information which is not complete or true, and price-posting provisions which prevent this appear to be justifiable. It must be borne in mind, however, that moral suasion exerted upon handlers by price-posting provisions not to reduce prices when prices should decline results in unfavorable repercussions upon growers. Moreover, in the event that the market is declining and attempts are made to prevent this decline through encouraging shippers not to post lower prices, the shipper who violates will increase his returns above those of his competitors. Roughly speaking, it appears that price-posting provisions present industry groups with mechanisms whereby some form of price control may be attempted and probably would be attempted in the event of price declines. Economic considerations, however, reveal the futility of effective price control in the absence of volume control.

Where price-posting regulations can be administered in a manner such as to establish a market price for the given commodity without attempting to influence the level of that price, indications are that price posting would prove of value in a number of industries. In many cases where sales are made on f. o. b. basis and no auction market prices can be used as a representative barometer, no established market price exists and handlers often quote prices on the basis of insufficient knowledge of market conditions. If price posting can be effected so that handlers remain perfectly free to post prices they

wish, perhaps by keeping the identity of individuals posting prices confidential, and no coercive influence is brought to bear upon individual handlers, it appears that price-posting regulations could aid in bringing prices quoted by individual handlers to a focus and thereby promote more orderly price movements in many industries.

IV. THE MARKETING PROGRAM FOR THE DAIRY INDUSTRY

PROGRAMS FOR FLUID MILK MARKETS

The principal provisions included in the programs regulating the handling of milk in fluid milk markets have been (1) the classification of milk according to its use, (2) fixing of prices for milk in each use classification, and (3) the providing of some method of prorating the proceeds among producers. During the years 1933 and 1934, Federal regulatory programs were introduced in 51 milk markets in the United States. A number of these programs were canceled between 1934 and 1937, and during the same time only four new markets were regulated. By the end of 1937 there were 23 marketing areas with Federal programs for fluid milk. (See table 30.) These 23 markets were supplied by approximately 45,000 producers and covered approximately 278,000,000 pounds of milk monthly.

During the years 1934 to 1937, 81 revisions and amendments were made to the programs in effect. Some of these changes were changes in the price provision necessitated by the changing economic situation. Other of the changes were made on the basis of the better understanding of the problems involved in the regulating of the handling of fluid milk. (See table 32.)

Objectives of regulation.—One group has attempted to justify Federal regulation of prices to producers from a farm-relief point of view. This group questions the ability of the competitive system to establish fair distribution of income among the factors of production. The fact that milk producers were in bad financial straits in 1933 was to them a problem that the Government had to solve by directly aiding those producers. The administration in 1933 accepted this philosophy but with not much regard for the direction and control features that were necessary. In 1934 a different concept of the best approach to the problem was adopted. This concept was based on the belief that a freely competitive system in the milk industry prevented economic forces from working themselves out. Those who had this concept were hopeful of curing the ills that had beset the fluid milk industry for many years. They regarded these troubles as being caused largely by the concentration of the competitive factors and the fixing of too high returns to each factor. Their approach was to establish such practices as would control and direct the competitive factors toward the end that they thought the freely competitive system would attain.

TABLE 30.—Number of markets in which programs were introduced and the number in which programs were suspended or cancelled, by months, 1933–88

Year and month	Number of new markets entered	Number suspended or terminated	Cumulative total in effect	Year and month	Number of new markets entered	Number suspended or terminated	Cumulative total in effect
<i>1933</i>				<i>1936</i>			
August.....	3	0	3	January.....	0	0	30
September.....	2	0	5	February.....	0	2	28
October.....	4	0	9	March.....	0	1	27
November.....	4	0	13	April.....	0	0	27
December.....	2	0	15	May.....	0	0	27
<i>1934</i>				June.....	0	0	27
January.....	0	0	15	July.....	0	1	26
February.....	1	0	16	August.....	0	0	26
March.....	3	0	19	September.....	1	1	26
April.....	6	0	25	October.....	0	1	25
May.....	2	0	27	November.....	0	0	25
June.....	3	1	29	December.....	0	0	25
July.....	11	0	40	<i>1937</i>			
August.....	2	0	42	January.....	0	0	25
September.....	2	0	44	February.....	0	1	24
October.....	1	0	45	March.....	0	0	24
November.....	3	0	48	April.....	0	1	23
December.....	2	0	50	May.....	0	0	23
<i>1935</i>				June.....	0	0	23
January.....	0	0	50	July.....	0	0	23
February.....	0	2	48	August.....	0	0	23
March.....	0	4	44	September.....	0	0	23
April.....	1	0	45	October.....	0	1	22
May.....	0	0	45	November.....	1	0	23
June.....	0	1	44	December.....	0	1	22
July.....	0	8	36	<i>1938</i>			
August.....	0	0	36	January.....	0	0	22
September.....	0	1	35	February.....	0	0	22
October.....	0	0	35	March.....	0	0	22
November.....	0	4	31	April.....	0	0	22
December.....	0	1	30	May.....	1	0	23
				June.....			

TABLE 31.—Estimated number of producers and producer-handlers, and total estimated production of milk in markets under Federal supervision, April 1938

[Compiled from reports of the market administrators and the Bureau of Agricultural Economics]

Market	Estimated number of producers and producer-handlers	Estimated total production (milk equivalent)	Market	Estimated number of producers and producer-handlers	Estimated total production (milk equivalent)
	<i>Number</i>	<i>Pounds</i>		<i>Number</i>	<i>Pounds</i>
Battle Creek.....	238	1,804,926	Quad Cities.....	1,148	6,084,859
Boston.....	17,723	108,634,105	San Diego.....	139	¹ 6,992,398
Denver.....	1,943	¹ 13,001,171	Sioux City.....	1,035	3,458,221
Des Moines.....	1,063	4,410,671	St. Joseph.....	234	1,775,616
Dubuque.....	238	1,520,967	St. Louis.....	5,066	27,612,160
Fall River.....	363	2,919,897	Topeka.....	236	¹ 1,923,414
Fort Wayne.....	1,089	3,054,600	Twin Cities.....	6,209	44,790,970
Kalamazoo.....	380	2,505,055	Wichita.....	444	¹ 4,751,703
Kansas City, Kans.....	249	1,590,672			
Kansas City, Mo.....	1,628	10,645,283	Total.....	45,271	278,775,289
La Porte County.....	275	1,283,875			
Leavenworth.....	86	¹ 693,891	Evaporated milk.....	114,411	² 377,984,200
Lincoln.....	1,141	¹ 5,393,880	Dry milk.....	1,200,000	² 368,862,500
Louisville.....	1,366	11,441,719			
New Bedford.....	337	3,170,165	Grand total.....	1,359,682	1,025,621,989
Omaha.....	2,591	9,375,091			

¹ Reported in butterfat and converted to milk.² Production of product converted to milk equivalent.

TABLE 32.—*Number of revisions and amendments to programs in effect, by months, 1933-38*

Month	1933	1934	1935	1936	1937	1938
January.....	0	0	10	0	0	0
February.....	0	4	5	2	1	0
March.....	0	3	7	0	1	0
April.....	0	2	5	1	2	0
May.....	0	11	9	1	0	0
June.....	0	12	9	0	0	0
July.....	0	8	12	0	1	-----
August.....	0	10	10	1	1	-----
September.....	0	10	0	0	0	-----
October.....	1	11	0	1	0	-----
November.....	4	13	0	0	0	-----
December.....	0	11	0	2	0	-----
Total.....	5	95	67	8	6	-----

During 1935, and especially since 1936, when orders were first issued, the administration conceived of economic principles as useful tools but also felt that too little is yet known of the details of the milk business to apply such principles with any degree of definiteness. Attempts have been made to guide the thinking in the market along the lines that are thought economically proper rather than to regulate the market along those lines.

Any evaluation of the effect of the fluid milk program would have to consider not only the increase in prices to producers but also the progress made in establishing marketing practices for pricing milk and prorating proceeds to producers, two of the problems which have beset voluntary efforts of producers in establishing stable conditions. The benefits of the continuance of a more efficient price mechanism and other marketing practices cannot be measured in terms of price or income except perhaps over a period of time.

It is practically impossible to evaluate fully the effect of the fluid milk program on prices to producers. The data for the individual markets with respect to receipts and sales of milk show wide trends which can in most cases be accounted for by the trend in compliance with the programs. In other cases the definition of the marketing area has been changed so that the milk of more or fewer dealers has been included. The price data are also imperfect and it would be improper to base any conclusions on them. Dealers who have refused to comply have usually been those with relatively large fluid milk sales so that as they dropped out of an equalization pool the announced blended price would fall but the actual average price paid in the market probably did not.

Although most of the benefits from a license or order have been confined to the market in which it has been effective, its influence has been much more widespread. The price-making forces in any large primary market affect and to a large extent determine the prices paid in secondary markets. For example, the price in the Boston market largely determines the prices that will be paid in the Lowell and Lawrence markets. These little markets are situated between the city of Boston and its supply area. If the price is increased in Boston, producers in these secondary markets tend to shift to the Boston dealers and force a higher price from their own dealers. A correct statistical evaluation would have to consider such effects.

Prices to producers, especially those received for that part of their milk which is used by dealers for fluid use, have been increased. The result has been some increase in returns to producers. The attempt in 1934 to increase prices to producers through a lowering of the margins of dealers was not very successful. To what extent dealers have paid the prices established in the programs cannot be ascertained, but they probably were paid by at least the large dealers, thus forcing other dealers to pay somewhat higher prices than they would have otherwise. The higher prices paid may have been offset partly by some increase in production of milk for the market, mainly from the entrance of new producers but also from some increase in production of regular producers.

Proration of the receipts from the sale of milk to handlers.—After the determination of a proper price for handlers to pay for milk, one of the principal problems in the fluid-milk programs has been to determine on what basis and to what extent producers should share in the receipts from the sale of milk to handlers. Invariably the sales of fluid milk which yield the highest returns are distributed unequally among dealers. Question immediately arises as to the manner in which the producers of a milk market should share in the fluid-milk market. Milk of all producers delivering to a particular handler is usually either physically mingled during the process of preparing it for distribution or treated with no attempt to segregate the milk of any particular producer.

The economic basis for paying uniform prices to all producers similarly situated and similarly delivering to handlers is generally conceded under certain conditions. When the same reasoning was applied to all producers in the market, disagreement arose. Although all producers in the market were supplying the market with milk and in some seasons at least all were necessary to the market, any plan to pay uniform prices to all met immediate objection. Claims for preferential treatment were abundant.

The policy adopted in 1933 and in 1934 tended to disregard any request for special differentials and to consider all producers alike. In most markets it would appear that there is not enough difference in producers and their type of production to make any differentiation except on the basis of their distance from the market. When all milk is delivered to the market there is even less justification for any differentials.

To dealers the basis for pooling should have made no difference. Their cost was fixed according to a classified price basis. A handler with a relatively high percentage of fluid milk sales paid the same price for his milk according to use as did all other dealers. With a market-wide pool he paid the same price for his milk as he would have paid with an individual-handler pool. The only difference between a market-wide pool and an individual-handler pool to the dealer was that he should have paid his extra net receipts arising from his selling more than the average percentage of fluid-milk sales in the market to other producers through a market administrator instead of to his own producers or his own pocket. Dealers usually claimed the payment to the market administrator as an additional cost of their milk rather than as a part of their cost. Consequently some dealers in every market have been reluctant to pay such amounts,

thus rendering the equalization pool partially ineffective and also breaking down any uniform cost to handlers.

During the last 2 years there has been some tendency to introduce individual-handler pools in some markets. Cooperative organizations have generally been against individual-handler pools and wanted them specifically excluded in the amendments of August 1935. Provision for them was included, but only if three-fourths of the producers favored such a pool whereas only two-thirds' approval was necessary to include a market-wide pool in any order.

There has also been some realization that certain types of producers might be entitled to special consideration. Producers located near the market have in many markets so established their farm operation that they produce a fairly constant volume of milk each month, or in any case take care of their seasonal flush on their own farms. These producers are really carrying their own surplus and should not be compelled to share the surplus of other producers. It has been found that producers who have marketed a rather constant amount of milk from season to season have tended to be associated with dealers who have had a relatively high percentage of fluid-milk sales.

Cooperation with milk control boards.—The question of co-operation and division of authority with milk control boards arose almost immediately in 1933. The New York Milk Control Board offered to work out a cooperative program in 1933. The Government attorneys were of the opinion that the Federal power was plenary and advised against accepting the offer of cooperation from New York. There was very little cooperation in 1933.

In 1934 the policy of the A. A. A. changed toward a definite move to cooperate with the States. Other difficulties then arose. Most of the large dealers who were willing to go along with a uniform plan for all dealers in the market operated in interstate commerce and wanted the Federal Government to regulate all dealers in the market. The smaller dealers were more likely to be operating in intrastate commerce and wanted to be regulated by State authorities if they were to be regulated.

Difficulty in cooperation also arose because all of the Federal programs until recently were set up with a market-wide equalization plan, provision for which was not generally made in the State acts. The Indiana Milk Control Act has now incorporated such a provision, and a cooperative effort has been worked out on that basis in the Fort Wayne, Ind., market. Individual-handler pools offer a wider field for cooperation with State milk boards and several markets are operating with joint orders with that pooling arrangement.

Relationships with dealers.—During the early programs in 1933 when resale prices were being established some dealers were as interested in regulation in a market as were the producers. They had been bothered by the cutting of margins by small dealers and producer-distributors. But since the elimination of retail price provisions they have had no enthusiasm for any program which tends to increase their cost of milk. The recommendations generally were not sought by the Agricultural Adjustment Administration and part of the plan actually adopted in 1934 was to cut the margins of distributors. One could hardly expect them to be sympathetic. But strangely the large distributors until recently have gone along with

the program despite the uncertainty of its legality, despite the lack of complete enforcement on all dealers, and despite the disregard of them in the promulgation of any program in their market.

The dealers have themselves not contributed to better relationships with the Agricultural Adjustment Administration. They have at times refused to present any proposals at public hearings. However, their interest appears to be returning. At the public hearings recently they have presented their cases in a critical but more convincing fashion than ever before. It is not to be denied that their support of a program is to be welcomed. An encouragement in their efforts to present their case will result in the establishment of a sounder and better program.

Producer-distributors.—The relatively increasing margins of distribution in the early years of the depression period after 1929 created among other problems that of the producer-distributor. Many producers located near the market became discontented with their returns and entered the relatively more lucrative field of distribution. Neither the large nor the small distributors receiving milk from producers nor the producer organizations were inclined to take a liberal attitude toward them. Little difficulty was encountered in obtaining unanimity in the idea that a producer-distributor should be treated like all other producers and required to equalize his sales.

No attempt was made in the early days of the program to make any distinction between markets or within the markets as to type of producer-distributors despite the fact that there is a wide difference at least between markets. In the South and West the producer-distributor type of business is one of the most important marketing methods. In Atlanta, Ga., nearly 60 percent of the business is handled by producer-distributors, and in Kansas City, Kans., approximately 50 percent is so handled. In most markets in the East the distribution of milk by producers is relatively negligible. In the Washington, D. C., market there are no producer-distributors, and in New York City less than 1 percent of the milk is distributed by producers.

Within markets there is also a wide difference in type. Some producer-distributors have built up a special grade or quality of milk and have a special trade for their milk. These distributors usually have adjusted their production to supply their particular trade. With a premium milk and a business adjusted to the handling of their own surplus, they have caused little trouble in their markets.

The principal complaints of the operations of producer-distributors arose from the distributors. These complaints were usually directed toward those producers who were induced to enter the distribution field when milk prices fell and distribution margins continued to be maintained. The producer-distributor customarily made his way into the market by offering his milk at cut prices, and as a consequence to some extent the maintenance of prices was jeopardized by this type of operation.

Enforcement of regulation on producer-distributors has been particularly difficult. With the entrance of the State milk-control boards into the resale price-fixing field and a gradual realization that perhaps some producer-distributors should be given exemption, the Fed-

eral program has tended to swing from a complete regulation of them to almost complete exemption of them.

Relationship with cooperatives.—The problem of the relationship with the cooperatives has been particularly fascinating. Theoretically the program would appear to be usurping the functions of the cooperatives and the leaders of that movement would be much against it. In 1933 and 1934 some cooperative leaders were very skeptical, feeling that the Agricultural Adjustment Administration did not give enough recognition to cooperatives. Since 1935, after the passage of the amendments, they have been much in favor of the program and have felt that it had been a decided boost to the cooperative movement.

It was realized by those in the Dairy Section that it was only through cooperatives that any immediate progress could be made. And this realization continued to be important, except for a brief period in 1934, in the program of licenses and new marketing agreements and orders. When the time came to amend the act, this feeling of the necessity of cooperatives had so grown that specific important considerations requested by cooperatives were given them fairly willingly in the amendments. The amended act stated that the "Secretary in the administration of this title, shall award such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing acts of Congress, and as will tend to promote efficient methods of marketing and distribution." For some time it has been the policy of Congress to foster the cooperative movement, as is evidenced by the Capper-Volstead Act, the Agricultural Marketing Act, and the Farm Credit Administration. The Agricultural Adjustment Act of 1938 likewise provides for a continuation of this encouragement of cooperatives.

More specifically, the Marketing Agreement Act of 1937 outlines in certain provisions just how the recognition shall be given to cooperatives. The most significant of these provisions is the one which states that, "Whenever, pursuant to the provisions of this section the Secretary is required to determine the approval or disapproval of producers with respect to the issuance of any order, or any terms or conditions thereof, the Secretary shall consider the approval or disapproval by any cooperative association of producers, bona fide engaged in marketing the commodity or product thereof covered by such order, or in rendering services for or advancing the interests of producers of such commodity, as the approval or disapproval of the producers who are members of, stockholders in, or under contract with, such cooperative association of producers." The provision is important because only a two-thirds vote of producers is necessary, and in most cases the cooperative association by its vote can largely determine whether an order can be issued in any particular market.

In the section of the act covering milk marketing agreements and orders there is a provision of decided interest to cooperatives which states that, "Nothing contained in this subsection (5) is intended or shall be construed to prevent a cooperative marketing association qualified under the provisions of the act of Congress of February 18, 1922, as amended, known as the Capper-Volstead Act, engaged in making collective sales or marketing of milk or its products for the

producers thereof, from blending the net proceeds of all of its sales in all markets in all use classifications, and making distribution thereof to its producers in accordance with the contract between the association and its producers: *Provided*, that it shall not sell milk or its products to any handlers for use or consumption in any market at prices less than the prices fixed * * * for such milk."

This provision is the cause of great concern in many markets. It means that an association can consider its share of a market-wide pool as a separate pool of its own and distribute the proceeds among its producers in any manner it wishes. The provision, if correctly used, is of decided aid to cooperatives in meeting their problems. However, in one market this provision was used not too discreetly by cooperatives and the exemption granted them brought about a situation in which each of the associations in the market used its pay plan as a competitive weapon, a purpose for which the exemption was never intended and which tended to break down the market as quickly and decisively as had the competition among handlers.

The relationship between cooperatives and the Federal milk program is much more important than is indicated by these various provisions of the act. A strong cooperative is necessary to an effective program in a market. The Administration has entered no market except on the specific request of a strong, organized group of producers. No attempt is made to solicit marketing agreements and orders. If no request is made it is assumed that the local elements are adequately handling the situation. Once a request is made for a Federal program it has been the experience that only through the cooperative association can the necessary information for the market be obtained. The main difficulty in the relationship with the cooperatives has arisen because of their concept of the objectives of the program. At a meeting of economists in 1935 a representative of an important cooperative stated in reference to the fluid-milk program:

Milk control operations, of course, can be successful if they keep the price of fluid milk in line with the value of milk in other uses. If, however, this is all that is accomplished by milk control, I see no future place for their operations, since the market can maintain fluid-milk prices in line with the value of competing products without assistance of a milk-control body.

This statement represents an attitude still prevalent among some of the cooperatives with respect to the fixing of prices by the Government. They regard the program merely as a price-increasing device. They have not been particularly interested in any program that attempted only to reform practices in the market other than outright price cutting.

Cooperatives have felt that the act was passed for their benefit and that each cooperative had the right to use it as it saw best. Not until recently has the attitude been that of presenting their problems to the Agricultural Adjustment Administration and asking for aid in their solution. This attitude is being encouraged to some extent by the newly adopted plan of requiring each market to present its proposal for a program to the Secretary and to justify its proposal at the public hearing. The difficulty in getting an agreement in many cases has been that the cooperative has presented a problem and a proposed solution but has been relieved of any responsibility in the justification of its proposal. The necessity for setting down their

ideas and reasons for them will in many cases lead the cooperatives to a more cooperative spirit in accepting other ideas of administration.

Instead of being replaced by the adoption of a Federal program, cooperatives in the markets operating under a Federal program have shown a tendency to increase the proportion of the market controlled by them. Probably the reason for this growth has been the fact that producers have received higher returns and they rightly give much of the credit to the efforts of the cooperatives in asking for, obtaining, and helping to maintain the Federal program in the market.

The fact that cooperatives have grown is very satisfying, for it means that if the functions of the Agricultural Adjustment Administration are discontinued in those markets there will be, in many cases, an organization strong enough to carry on the efforts to promote efficient and stable marketing conditions. Furthermore, the establishment of the legal validity of the program is not going to settle all problems in the markets and the Government is not going to be able to litigate every problem. The cooperatives must continue to accept some of the responsibility of the administration of the programs. The function of the cooperatives in improving the product and establishing and guaranteeing a market for its producers' milk has not been touched. The educational work, the checking of weights and tests, and the assurance to producers of a representation at all hearings affecting their interests are still necessary and important services to be performed by cooperatives.

CHAPTER 8

PROGRESS IN ADMINISTRATION

When the first Agricultural Adjustment Act was approved, the Department of Agriculture was confronted by a series of difficult problems. No cut and dried program had been devised, and the grant of authority to the Secretary of Agriculture was broad enough to include the development of several types of programs. Furthermore, several types of administrative organization were possible.

The leading sponsors of the adjustment program were committed to a democratic type of organization, but there were great differences of opinion as to just what that meant. They were honest differences, arising from the very nature of the program. For instance, it seemed quite necessary to the success of any program to achieve a large degree of unity of action, but—how achieve that without a large amount of centralized planning and operation? If administrative centralization was found to be necessary, how much of it was consistent with the essentially democratic form of operation that was desired?

Other problems soon presented themselves: In a democratic farm program, how much weight should be given to the emergency problems of the farmers as a group when an emergency solution might be in conflict with a permanent solution for the people as a whole? In short, should emergency considerations be allowed to outweigh at times the permanent long-time objectives of a sound agricultural policy? Furthermore, if it were advisable to decentralize the administration of the program as much as possible, what should be the proper relationship between the local administrative groups and the central organization in Washington? What, too, should be the relationship between these local committees and the county agricultural agents or extension service, and between these latter and the Washington organization?

Moreover, if the program was to be successful in building up a unified national farm program, it was necessary to inform the public and the farmers of that program. What should be the attitude and tone of that information? Should it be coldly objective and impartial, and so invite an indifferent reception? Or should it be in part persuasive, designed to bring about participation in and enthusiasm for the program, and so perhaps invite the charge of being propaganda?

Almost from the beginning of the programs the Administration has been faced with the problem of answering these and similar questions. Some of them are still not answered, or are answered only tentatively or in part. But definite progress has been made. The nature and extent of that progress are discussed in this chapter, following a brief outline of the present administrative organization.

I. THE ADMINISTRATIVE ORGANIZATION

The Agricultural Adjustment Administration includes both a central organization in Washington and field organizations covering the various regions to which its programs apply.

The Washington organization^{*} is composed of (1) the Office of the Administrator, who heads the entire organization and is responsible directly to the Secretary of Agriculture; (2) a regional division for each of the five main agricultural regions in the continental United States and one for insular regions, each division being under a director, with such assistants and technical specialists as are required for administering the entire program within that region; (3) a division of program planning; (4) a division of information; (5) a consumers' counsel division; and (6) a marketing division which formulates marketing plans and directs their administration. Besides these divisions there are two sections, a sugar section and a records and accounts section, not attached to any division which are responsible directly to the Administrator's Office.

Formerly the organization of the A. A. A. included a legal division but at present all legal aspects of the programs are handled directly by the Solicitor of the Department of Agriculture through a special section of his office. Similarly, various other agencies in the Department of Agriculture perform important functions in the administration of A. A. A. programs, although not as parts of the A. A. A. These include the Bureau of Agricultural Economics, particularly the Divisions of Crop and Livestock Estimates, Farm Management, and Statistical and Historical Research; the Federal Extension Service; and the Soil Conservation Service.

The channel through which the production program is administered in the field consists, at the State level, of a series of State offices. In most regions these are in charge of administrative officers appointed from Washington and responsible directly to the corresponding regional division. In all cases State conservation committees, appointed by the Secretary of Agriculture upon recommendation of the regional director, assist in the conduct of the State office. In one region these committees are in charge of their respective offices.

On the county level, the program is administered by county conservation committees and county agricultural agents under the supervision of the respective State offices. The former are elected by the farmer members of the county conservation associations. Within the county associations and under the county committees are community committees, likewise elected by farmers.

The Federal, State, and county extension services collaborate in handling the program in the field. These make up a parallel organization likewise extending from the Department of Agriculture through to farmers in the various counties. One branch of Agricultural Adjustment Administration activity which is carried on chiefly through this channel is that of county planning. The extension service further assists in directly carrying out the adjust-

^{*} The organization outlined here is that which existed during the period covered by this report, the 18 months ending June 30, 1938. Changes brought about by the departmental reorganization in October 1938 will be covered by the next report.

ment program. Likewise, State statisticians of the Division of Crop and Livestock Estimates give direct assistance to the State offices and State committees.

To provide a closer contact with conditions in the field, and to facilitate the dissemination of information about the program, six regional contact offices are maintained and are responsible to the Division of Information.

II. THE IMMEDIATE TASK OF ADMINISTRATION

The complex problems faced by the Administration arise quite naturally from the dual character of its work, which is not only that of administering the immediate adjustments required by the legislation as it is enacted, but also that of administratively adapting these immediate adjustments to the permanent agricultural objectives behind the legislation. Each of these tasks involves a number of administrative duties.

The immediate duties of administration may be summarized under the following items:

1. INTERPRETING THE LEGISLATION AND DETERMINING THE POLICY WITH WHICH IT IS TO BE ADMINISTERED

During the period of A. A. A. operation this task has changed in character, but it has necessarily constituted a phase in administering each law. Under the first Agricultural Adjustment Act the step of determining which methods should be used and the degree of vigor with which they should be applied, while falling within the general category of formulating administrative policy, nevertheless amounted to the determination of the whole character of the undertaking.

Succeeding laws have tended to prescribe more specific forms of action. Thus under the Soil Conservation and Domestic Allotment Act there was little doubt as to the general character of the program contemplated, but virtually all features of its operation still were left for administrative determination. The Agricultural Adjustment Act of 1938, however, goes further and prescribes in considerable detail not only the general form of the program but also the precise way in which it shall be applied. Specific instructions are given for allocating funds; for determining when marketing quotas shall be applied; and for determining quotas, bases, and acreage allotments. Hence, under this law the problem is not one of determining the policy and program to be followed under a broad grant of powers, as was the case in 1933, but is largely one of interpreting the detailed provisions of a program definitely prescribed by law.

2. FORMULATING PLANS OF OPERATION UNDER A PROGRAM

This step includes the whole job of developing the detailed plan of operation to be offered to farmers. With respect to the commodity adjustment plans of the first 3 years it rather typically involved:

a. Analyzing the situation for the commodity to which the particular plan was to apply;

- b. Determining the rate of processing tax which could be established and estimating the revenue it would produce;
- c. Deciding upon the amount of adjustment in acreage or production which should be sought;
- d. Establishing rates of payments to farmers which would obtain their participation, and which could be made from the estimated proceeds of the tax;
- e. Working out the principles and methods to be followed in establishing individual farm bases from which the necessary computations, with respect to allotments and payments, could be made; and
- f. Preparing instructions, forms, and other necessary administrative details.

For the more recent soil conservation programs, this task of planning has been generally similar, even though the detailed steps involved are somewhat different. These programs have never applied to individual commodities; hence, they require an analysis of the whole farming situation within a region rather than of the situation for a particular commodity as was the case with the earlier undertakings. There is no processing tax, and so no problem of determining rates. But the problem of deciding upon the diversion of crop acreage to be sought is comparable to that of determining how far soil-depleting or surplus crops should be reduced. In addition, there is the work of determining what practices should be encouraged.

Establishing rates of payment to be made for diversion of acreage and adoption of practices; determination of bases or goals; and the working out of instructions, forms, and administrative routine are really no different from the same problems under the adjustment programs.

There has been no essential change in the character of these problems under the provisions of the 1938 legislation. But in addition there is the large task of establishing marketing quotas and of coordinating the provisions of the Soil Conservation plans with these new features of the program. For example, the allotment of soil-depleting acreage must be coordinated with marketing quotas if the program is to operate in a practical manner.

3. PUTTING ACCEPTANCE OF THE PROGRAM UP TO THE FARMERS

However imperfect a program may later prove to be, it probably represents, as a rule, the best program that available information and other conditions permit at the time; therefore, only by making the most energetic attempt to secure the largest possible acceptance of, and participation in, the program can the Agricultural Adjustment Administration carry out the objectives intended by the legislation under which it operates. These laws have never contemplated programs that were perfect from all points of view, but they have definitely established a policy of attempting prompt and effective action. Effective action cannot be attained unless the program is accepted by a large number of farmers.

The promulgation of the program typically involves several types of effort, including the educational work that is described more fully later in this chapter. Material is written, published, and distributed,

explaining the program in detail and showing how it is expected to benefit the farmers who take part. Conferences, meetings, and at times intensive campaigns, are utilized in the effort to inform farmers about the program and make them conscious of the potential advantages to be obtained through participation. The commodity adjustment plans involved the actual signing up of farmers under contracts. While this step has not been needed under the conservation program, there has remained the task of working out the soil-depleting and soil-conserving acreages and soil-building practices for each farm in order to show the individual farmer just how he could receive maximum payments as a participant. In fact, this task is enlarged with the addition of marketing quotas to the programs.

4. SUPERVISING OPERATION

This involves the whole work of administering the programs from the time they are established and accepted to the time when the last payment has been made with respect to that season's operation. Under both the adjustment and conservation programs the principle problems involved have been:

- a. Establishing bases and allotments for each individual farm;

- b. Issuing necessary regulations covering specific points that arise, or modifying provisions of the program to meet unexpected or unusual developments—for example, modification of the program to help farmers meet the exigencies of drought;

- c. Checking the performance of each producer who makes application for payment to see that he has complied with the provisions; and

- d. Computing the payments for which each farmer is eligible, and issuing those payments.

5. ANALYZING THE OUTCOME OF COMPLETED OPERATIONS

This means going back to the individual features of the plans adopted and tracing through the manner in which they have worked out; it includes analyzing the difficulties encountered, the effectiveness shown, and the results obtained. Such an analysis then becomes a most important basis for the formulation of succeeding programs. So far this has not been considered a distinct and formal step in administration, but has been handled informally as part of the program conferences to which individuals who have had close contact with preceding operations bring the benefit of their observations.

III. THE LONG-TIME TASK OF ADMINISTRATION

Two different problems of administration are dealt with in this report. One is the problem of working out and operating a program that will meet the immediate situation. The other is the problem of keeping the current program in line with the long-time objectives of national farm policy. These objectives have already been discussed in chapter 4.

In that discussion, three major objectives were seen to be emerging as a continuing trend in national agricultural policy. Two of these—

income adjustment and soil conservation—present administrative problems in which the immediate results merge naturally and logically into the permanent objectives. The dominant administrative problem in each case is the matter of deciding how rapidly the immediate goal is to become a fulfillment of the more remote objective. From the beginning, moreover, the answer to this matter has been indicated, or even prescribed, by the legislation itself.

In regard to the third objective—democratic planning and operation—the legislation has been much less definite, and the approach to the objective has been left almost entirely to administrative discretion. The Agricultural Adjustment Act of 1938 specifies operations which are to be left to the local and county committees, but these operations pertain largely to the immediate seasonal goal.

The legislation provides that the local and county committees shall be democratically elected, but the part that these committees are to play in the democratic planning and working out of national agricultural policy is not specified in the law. Developing an approach to the objective of democracy in planning, therefore, continues to be one of the difficult problems of administration.

It is not enough that the program developed be for the benefit of farmers; it must also be a program by and of farmers. Essential, therefore, to any significant progress in this direction is the problem of uniting farmers in an endeavor to work out such a plan. Large scale participation in the seasonal program may of itself be sufficient for the immediate objective of income enhancement or soil improvement. But the long-time objectives require more than the passive participation of many farmers in the current program; they require a real eagerness on the part of participants to attain the ultimate goal of a stabilized and self-sustaining agriculture through the agencies set up by Congress for that end.

FUNCTIONS OF THE AGRICULTURAL ADJUSTMENT ADMINISTRATION

In a general way there are three distinct views as to the proper function of the overhead organization of the Agricultural Adjustment Administration in its relationship to the farming group, the legislature, and the general public.

The first and more traditional view is that the A. A. A. should be considered solely as having, through the Secretary of Agriculture, a mandate from Congress, to represent the general public in planning and operating its adjustment programs. This view looks upon the authorization as flowing from above; so far as possible, it implies that decisions should be limited to interpretations of the law; and where discretion is permissible, action should be in accordance with established precedent. Under this concept, the demands of democracy would be satisfied through general participation in elections of legislative representatives. The action agency, developed to a bureau of sufficient size, could then "see that the laws are faithfully executed." This first view is that of a centralized, essentially bureaucratic agency, and does not contemplate the utilization of farmer experience and knowledge in determining policies and administering the program.

A second view is that the Agricultural Adjustment Administration should regard its function as entirely, or almost entirely, that of

representing the farm group. An administrative organization based on such a concept would not have any great concern about the public interest, except as that interest was reflected in legislative definitions of and restrictions upon its authority. On the other hand, this view would make full provision for the free expression of farmer sentiment as the most important basis for administrative decisions. Such a concept contemplates a vocational alignment within the A. A. A. Under it, administrative officials would consider it their duty to heed farmer demands within the limits permitted by the law.

Although either of these two concepts is possible under the legislation which has been enacted, and the first, at least, would be consistent with efficient conduct of the immediate task, both if adhered to exclusively are inconsistent with the long-time objectives of the agricultural adjustment programs. It is fundamental to the whole idea upon which these objectives are based that planning shall be effected through the joint efforts of the action agent and the farmers.

The third view as to the position which the Agricultural Adjustment Administration should occupy lies between the two extremes just described. It is the one most clearly reflected in the organization and methods which have actually been developed by the A. A. A. While recognizing that modern conditions demand more active governmental intervention and the greater exercise of authority by a central body than before, the Agricultural Adjustment Administration seeks to counterbalance this centralizing effect by securing not only the consent of farmers but also actual and active farmer participation in administrative processes. This is the two-way track so often referred to by people who are in charge of the Agricultural Adjustment Administration.

This two-way track can be seen clearly running through the relationships between Congress and the Agricultural Adjustment Administration as well as through those between the administrative agency and farmers. Partly because of the increasing complexity of the economic problems of agriculture, administrative people studying these problems are quite often called upon by Congress to help in working out legislation. Administrative people have been relied upon by Congress to convey to its members not only technical information but also information as to the views and wishes of farmers. It is wholly consistent with democracy that legislative proposals be based upon recommendations that have been democratically agreed upon by the farm group. Congress and the administrative workers together have supplied a channel through which the demands, the experience, and the knowledge of farmers have flowed to contribute their part in the making of agricultural legislation.

This third concept of the administrative function visualizes the action agency as the repository of increased central authority in the field of agriculture. But this authority is not to be imposed from outside; it is to be employed by agriculture for its own benefit. It is not to be used to effectuate planning solely from the top down. Instead it is to be exercised with the constant consent and approval of the farmers affected and, insofar as possible, with their actual participation in the administrative process. In this way there would be accomplished within the functioning of the Agricultural Adjustment Administration a desirable balance between interests of the

general public and of the farmer group; between immediate and long-time objectives; between expert knowledge and farmer experience; and between centralization of authority and decentralization in administration.

The centralization of Federal authority in the agricultural adjustment programs has been apparent to everyone and frequently has been the basis of attack by critics. Less frequently perceived, however, and seldom fully appreciated, has been the parallel trend toward decentralization in planning and administration. Actually, the idea of balanced economy has had its counterpart in "balanced administration." Secretary Wallace very early expressed this underlying idea of administration by the simple paradox: "What we need is greater centralization and decentralization."

REASONS FOR FARMER PARTICIPATION IN ADMINISTRATION

Increased centralization of administrative authority has been a self-evident fact accomplished by the farm legislation. But why the attempt to balance this with a parallel emphasis upon requiring that farmers not only give their consent and approval in the determination of policy, but also actually participate in administration?

In a sense the Agricultural Adjustment Administration was committed to the principle of active farmer participation in the administrative process even before the first adjustment legislation was enacted. Leaders of the educational movement in which the idea of long-time agricultural planning originated had already come to the conclusion that such participation was essential to any sound adjustment. In other words, agricultural leaders held that planning could be effected successfully only through cooperation between the designated Government agency and farmers. This principle was retained during the period when the trend of thinking was toward more active public intervention in the economic affairs of agriculture—a trend which led to the development of the modified domestic allotment plan from which many features of the Agricultural Adjustment Act of 1933 were drawn.

When Governor Roosevelt in his speech at Topeka, Kans., on September 14, 1932, stated his position in favor of national planning in agriculture, he laid down certain specifications designed to assure adherence to democratic principles. Administration was to be decentralized so that chief responsibility would rest upon the locality concerned; it was not to result in the development of a large bureaucracy in Washington. The farm program was to operate as nearly as possible on a cooperative basis; make use of existing organization so far as possible; and be voluntary.

This acceptance of the cooperative principle was based upon the belief that if a vehicle for their collective judgment could be devised, the farmers themselves were the ones most qualified to decide what adjustments were needed. In a sense, the struggle to create the agricultural adjustment machinery was a struggle to create the means for formulating this collective judgment. Great progress had been made in collecting and interpreting factual information, but this did not provide an adequate basis for arriving at adjustments which could safely be imposed from above by any overhead authority or

by any power except the power of this collective judgment of agriculture. This body of factual information had to be supplemented by the experience of farmers and their knowledge of local conditions.

Acceptance of the cooperative principle also appears to have been based in part upon the recognition that the traditional independence of the American farmer was a factor so powerful as to make a purely bureaucratic type of administration impracticable. The transition that was under way towards cooperative planning involved considerable encroachments upon the independence of the individual farmer, particularly with regard to any individual activity which was inconsistent with the welfare of agriculture in general. But farm leaders made concessions from individualism reluctantly, knowing that as a rule there was no disposition on the part of the farmer to have his affairs supervised by someone else. Moreover, the farm group was in a position to demand a voice in shaping governmental activity which affected them. During the long period of farm relief agitation, farm organizations had built up powerful followings. In this period a strong independent leadership arose which had to be reckoned with and consulted in the development of any farm program.

More immediate reasons for adhering to the principle of farmer participation became apparent when the adjustment legislation was approved and the task of formulating administrative policies and methods was undertaken. The new program was admittedly experimental, and the Agricultural Adjustment Administration was venturing into new lines of public activity for which no precedent existed. At the same time there was pressing necessity for swift action. Under these circumstances it was clear that only farmers themselves possessed the experience and information which were indispensable to successful development and operation of a program. The decisions facing administrative officials in the exercise of the large powers which had been given them could be made most safely in close collaboration with the farmers who would be affected.

Moreover, this course was politically expedient, both from the immediate and continuing points of view. The heavy responsibilities which were given to the Agricultural Adjustment Administration have frequently placed it in a precarious position. Charges of regimentation and bureaucracy often have been made, and at times these charges have attracted considerable public attention. Under such circumstances it is extremely important as a means of retaining public confidence and the support of farmers that particular actions be taken in accordance with the recommendations of farmers and their accredited leaders. It is probable that criticisms of regimentation would have carried much more weight with the public and the farmers if it had not been for the measures which have been taken to maintain the program in close alignment with the views of practical farmers. In fact, public opinion in all probability would not have permitted a program of such magnitude to be controlled entirely from Washington.

Among the immediate reasons for delegating actual administrative tasks to farmer committees was the fact that in no other way could the necessary organization be set up in time to carry out the program in the first year. It would have been practically impossible to hire and train Government employees for the short-time job that was

to be done. Only people from within the immediate localities could effectively do the work that was required and secure the participation of farmers.

From a longer-time point of view still other reasons are to be recognized. One of these is the influence that local administration exerts in unifying the farm group. Such unification is a long step toward securing the participation, interest, and effective organization which are essential to sustained long-time progress. Equally important are the benefits which farmers receive from sharing directly in the process of administration, from the training and development of leadership, and from the stimulation of interest in farm problems generally.

IV. PROGRESS TOWARD LOCAL PLANNING

It was apparent at the time the Agricultural Adjustment Administration was organized that the goals which were established were limited by different factors. For one thing the adjustments required on individual farms would have to be reasonable in terms of departure from past farm organization. It was also recognized that the adjustments which were needed and which were reasonable varied from farm to farm to some extent, and between different systems of farming and type-of-farming areas to a much greater extent. As a result of these factors, one of the first activities which the Agricultural Adjustment Administration undertook was the study of differences in types of farming as between the several areas and regions of the country. This was done with a view to estimating the type and extent of adjustments which seemed to be needed in the interest of conservation and good farming, and which could reasonably be made from the standpoint of price adjustment. This study has become increasingly complex as material has been accumulated and analyzed, and as the scope of the agricultural program has been widened.

The first step in this work undertaken by the Division of Program Planning was the analysis of the type-of-farming data obtained in connection with the Census of 1930. The Division worked out a combination of the several hundred type-of-farming areas shown by the census into a much smaller number of reasonably homogeneous regions and sub-regions. In this way, a more workable basis was obtained for an analysis of the different systems of farming involved. The agricultural problems of these several regions were then studied and tentative conclusions reached as to the type of adjustments most needed in each region.

The second step in this study was the Division's cooperation with the 48 State colleges and the Bureau of Agricultural Economics in the Regional Adjustment Project of 1935. In connection with this project a committee was organized in each of the 48 State colleges to consider the agricultural problems of the State and to work out adjustment recommendations for each type-of-farming area or distinct system of farming within the State. This material was brought together by type-of-farming regions and summarized. Since 1935 this work has been revised and expanded through cooperative studies with a number of State colleges in connection with certain problems which were especially important or on which new data are needed.

ASSEMBLING LOCAL DATA

Analysis of the technical data available from such sources as the census, studies of the Bureau of Agricultural Economics, and from the State colleges through the regional adjustment work, however, does not by itself present an adequate basis for the determination of area and regional adjustments which are most needed. Experience in planning and administering programs under the old Agricultural Adjustment Act, as well as current experience under the Soil Conservation and Domestic Allotment Act, has demonstrated clearly the need for giving more and more attention to the attitudes and reactions of farmers in all parts of the country. Free and open discussion by farmers and others interested is a vital element in the success of the farm program. With the help of this discussion, and in no other way, can farmers in each county and each important type-of-farming area be prepared to participate more fully and assume more responsibility in the formulation and development of the farm program.

Recognizing that the farm program had to be developed with the help of the farmers at every step, the Agricultural Adjustment Administration has endeavored to develop its practice of two-way planning. Through this policy the opinions of the specialists are discussed and checked with farmers and the opinions of the farmers themselves are obtained for the advice and guidance of the administrators. An endeavor has been made (1) to obtain farmer opinion as to the adjustments needed in each community and each county through the County Planning Project, (2) to promote discussion of underlying philosophy and objectives of the program through the organization of community discussion groups, and (3) to offer farmers the chance to actually formulate and try out through the experimental county approach new ideas or programs which they believe to be better than the regular program.

THE COUNTY PLANNING PROJECT

The County Planning Project was inaugurated in 1935. Its purposes were to establish a procedure for the effective interchange of information and judgments between the farmers and agricultural specialists, and to provide for a larger measure of farmer participation in the formulation and administration of the conservation program. The project is conducted cooperatively through the Extension Service. Under it the farmers from each county were asked to indicate changes in local cropping systems which would be necessary to maintain fertility and control erosion, and to estimate the effects of such adjustments upon the acreages of the several commodities, or groups of commodities, involved.

To accomplish this, county planning committees of 10 to 20 members were organized. The members of these committees were selected by the respective county agents under the general supervision of the State Extension Service, and were chosen to represent the various agricultural communities and interests within the county concerned. For the most part, their membership was made up entirely of farmers, although in some cases, individuals not exclusively engaged in farming were included. As soon as they were organized, these com-

mittees went to work on the task of determining the adjustments needed. Background material was provided through the State Extension Service, and each committee was encouraged to appraise the need for conservation and better farm management within the county, and to study the relation of the production trends and other developments in its county to those of the State and Nation.

For the most part, this work was conducted through meetings. The intensity with which it was carried on varied from county to county and from State to State, depending upon the attitude of the farmers and of the Extension Service staff who were responsible for providing the background material and summarizing the information obtained. In many States, however, the project was developed much more intensively than the original outline called for. In almost all areas where the adjustment problem was acute careful attention was given to the preparation and consideration of all available information before the task of estimating the adjustments which seemed most desirable was undertaken.

When all of the county committees in a State had made their reports, the results were summarized and compared with those obtained in the Regional Adjustment Project. In almost every case where there was a marked difference between the farmer and college recommendations the college specialists felt that their recommendations should be reconsidered and modified. In a considerable number of cases the college specialists were willing to agree directly with the farmer recommendations. Where this was not the case the college specialists were asked to discuss with the county committee the discrepancies and obtain a reasonable agreement between the recommendations developed by the county committee and those arrived at by the State and Federal agencies in the Regional Adjustment Project. The recommendations for similar type-of-farming areas, as between different States, were compared and a considerable number of adjustments made in order to smooth out the differences which were found.

The material obtained from the county committees for each individual county obviously could not be worked immediately into the program. This was both because of differences in standards used by the county planning committees in arriving at their estimates and because of the administrative necessity of a reasonably uniform program in each of the major type-of-farming regions, such as the cotton belt, the corn belt, and wheat areas. But this material was highly valuable in that it indicated those areas in which the acreage goals set by the Agricultural Adjustment Administration were out of line with well informed farm opinion, and provided a basis for making a considerable number of corrections which were much needed. In addition, it served to indicate that for the time being, at least, the farmers believe that the adjustments in acreages of soil-depleting crops which seem to be needed in order to support the agricultural price structure and raise income are also the adjustments which are needed in most counties from the standpoint of soil conservation and good farm management.

Possibilities of expansion.—The general concept of the county planning committee work can easily be widened to include a considerable part of the earlier lines of educational activities relating

to agricultural economics and agricultural reorganization. Thus, the work covered by the agricultural outlook and the farm management and other related State educational activities are all designed to furnish farmers with information and assist them with the interpretation of economic material in terms of changes or adjustments which are needed, both from the standpoint of increasing income and conserving soil. In view of this fact, the county planning committees could well develop into coordinating agencies which would absorb and interpret outlook and other extension material and indicate the direction in which the several agricultural programs within the county could best contribute to agricultural improvement.

At the present time, serious consideration is being given to reworking the County Planning Project into a Department-wide project, with the work of the several county committees coordinated by a State agricultural planning council. Under this concept of the project, the function of the county committees would be to work out the adjustments needed in each community or separate type-of-farming area in the county, and to work with the State agricultural council in coordinating and helping to give local direction to State and Department programs, including the agricultural conservation program.

EXPERIMENTAL COUNTIES

The A. A. A. is also encouraging farmer participation in the planning process through the development of experimental counties. In these experimental counties farmers are given opportunity to work out a conservation program on an experimental basis if it can be expected to throw light on certain problems which have not been solved or which are not being satisfactorily handled under the regular program. The experimental county approach offers farmers the chance to take a larger part in the actual working out of a program which meets the objectives of the Soil Conservation and Domestic Allotment Act and the Agricultural Adjustment Act of 1938, provided such a program does not entail an expenditure of a much greater amount of money than would be involved under the regular program, provided it can be administered at a reasonable cost, and provided it offers promise of achieving the objectives of the Agricultural Adjustment Administration through the use of simpler or more flexible devices than those used in the regular program.

NATIONAL AND LOCAL COOPERATION

The Agricultural Adjustment Administration from time to time seeks to obtain farmer reactions from representative farmers in each county, including farmers on the county planning and agricultural conservation committees. This aid is specially sought when questions relating to changes in the national program for the year ahead are under consideration. As a rule, this contact is made through the State agricultural conservation committee or the State extension service. The farmers of each county are asked for suggestions on specific questions as well as for their general conclusions on what changes are needed in the program which is to be developed for the year ahead.

Important from the standpoint of the broadly democratic objectives of the program has been the encouragement of farmer discussion of the fundamental principles and objectives underlying the national program. In carrying out this work the Agricultural Adjustment Administration has worked with the Extension Service in the development of community discussion groups, which meet regularly to discuss questions relating to agricultural policy or the development of a well-rounded agricultural program. Similarly, the Agricultural Adjustment Administration cooperates with the State Extension Service in holding county-agent schools, at which county agents and, in many cases, representative farmers meet to consider questions of broad social and agricultural interest.

V. PROGRESS TOWARD LOCAL OPERATION

So far, this discussion has dealt chiefly with those aspects of administrative organization and procedure relating to the determination of policy and the formulation of program provisions. But each year the Agricultural Adjustment Administration is also faced with the tremendous task of putting these plans and policies into actual operation. In this work, too, the tendency is toward an increasing decentralization, helping to offset the centralization of responsibility which has been noted in the preceding pages.

This phase of administration is carried out under the supervision of the respective regional divisions in Washington. In developing the plans to be applied in a given year, the provisions relative to their application to the different regions are formulated. In addition, the statistical work involved in breaking down national goals and allotments to regional and State figures and the issuance of regulations for their further breakdown to a county and individual farm basis are handled from Washington. Finally, information regarding the program is prepared and distributed from the central office. A full discussion of this latter function is given in the following section of this chapter.

Operation of the program within the States is handled through the respective State offices. In these offices, goals and allotments are broken down to a county basis and instructions are issued regarding the handling of the program within the counties. Other work of the State office includes supervising and reviewing the work of county offices, and transmitting requests and suggestions to the Washington office.

Except for one region, these offices are in charge of State executive officers appointed by the Secretary of Agriculture upon the recommendation of the regional director. These officers are responsible to the corresponding regional divisions. Functionally, such offices are to be regarded as part of the overhead organization. In their work the State officers are assisted not only by regional representatives of the central organization, but also by State committees which function in an advisory capacity and to varying degrees share in the responsibilities of administering the program within the State.

In the North Central Region the State offices are in charge of the respective State committees. In each instance these committees include a representative from the staff of the State Extension Service.

But the actual work of applying the program to individual farms, including the allocation of goals and allotments, explanation of detailed provisions to farmers and securing their acceptance of the plans offered, checking of performance and similar important steps, is conducted within the counties. The arrangements through which this part of the administrative task is accomplished are of fundamental importance to the whole conduct of the program.

The work of carrying on the program within the county is in charge of the county agricultural conservation committee, with the help in the localities of the community committees of farmers. The county committees are assisted by the county agents, who are frequently elected secretaries of the committees or, if not elected, are ex officio members, and as a rule take a vital part in planning and carrying out the educational work of the programs.

The degree of decentralization in administration which is actually represented by these arrangements depends upon the extent of the responsibility and authority assigned to the county office. Likewise the actual participation of farmers in the conduct of their program is determined by the extent of this decentralization and by the division of responsibility between the county committee and the county agent. In both respects the conduct of the program has varied considerably throughout the country and has changed considerably during the period of operation.

THE WORK OF THE COUNTY OFFICE

In carrying out the A. A. A. programs, responsibilities of great importance have been placed upon the county committees of farmers, often, as has already been stated, functioning with the help of the county agents as secretaries of the committees. The county offices have been the heart of the A. A. A. local administrative and educational system.

When the early commodity programs were launched a tremendous amount of work had to be done in every locality if the programs were to have any chance to operate satisfactorily. Detailed instructions and regulations were issued from Washington, and supervision was supplied by the State office, but many important matters had to be decided locally. It was because of the hard work in the counties, by the county committees and the county agents, that the new programs actually got under way with a hope and a chance of final success.

Particularly in the educational work on the program to secure its acceptance by farmers, including the explanation of detailed provisions, and in the distribution of bases and allotments among individual farms, the county authorities had a considerable field for discretionary action. In fact it seems probable that without this authority in local hands it would have been impossible to put the program into operation. With no precedent and frequently very little factual information available, no one but local people could safely make the decisions required.

Several influences have tended to modify this initial situation in succeeding seasons, giving the county offices more discretionary authority in some respects and less in others. For one thing, as experience accumulated instructions and regulations could be made

more precise and could be written so as to cover more of the conditions to be encountered. Moreover, there was a need for a somewhat greater uniformity in local procedure and this could be obtained most easily through closer administrative supervision from regional and State offices. Still another factor was the tendency for officials to gain assurance with experience and to develop stronger opinions of their own as to how the program should be operated. These and similar influences tended toward a closer supervision of the local office and a corresponding tendency towards centralized administration.

But these tendencies to limit the responsibilities of the county offices were offset by opposite tendencies, which were set in motion by recognition of the significant advantages in having the county office assume a larger and more important place in the program. In all cases the early program had involved a heavy burden upon the counties and in general this was handled effectively and efficiently. Insofar as the nature of continuing activities was discernible at the time it was clear that these activities also would involve many decisions which could best be left to the counties. Moreover, increasing thought and discussion were being given to the problems of long-time adjustment; and, as has already been pointed out, it was already recognized that real progress in this direction must depend upon the direct participation of farmers in the planning and conduct of the program. This would be possible only as the responsibility for such activities remained in the county.

As a result of these opposing influences, administration probably became more decentralized in some respects and more centralized in others. When the program progressed into the more flexible soil conservation phase, the more general inclination was to enlarge the responsibility of the county offices. For example, in making this change it was contemplated that county officials would be given an increasing latitude in adapting allotments to local and individual farm conditions. On the other hand, however, the necessity of effecting a quick change from a production-adjustment to a soil-conservation approach, and the increased attention demanded by legal questions relating to the delegation of administrative authority, introduced further incentives for close supervision from the central office.

THE CHARACTER OF COUNTY ADMINISTRATION

From the standpoint of administrative organization, the central office of the Agricultural Adjustment Administration is linked with the individual farms through the system of regional divisions, State committees and executive offices, county agricultural conservation associations, and county and community committees of farmers. This arrangement is supported by the parallel educational set-up composed of the Federal, State, and county extension service. From the standpoint of actual operation, however, these are more difficult to identify as separate, distinguishable channels. Problems of defining the functions of each and coordinating their operations in relation to the program have been of continuous importance.

When the program was first undertaken it was handled in the field quite largely through the Extension Service. Shortness of time was a major consideration at this stage and the Extension Service already

possessed a complete organization reaching down into the county. Moreover, the Extension Service personnel was admirably fitted by training and experience to assume the immediate task that was faced. Hence, so far as possible, these facilities were utilized in carrying out the program. In a majority of instances, the State extension service assumed practically full responsibility for the conduct of the activities undertaken, although in a number of cases the alternative arrangement of a State committee assisted by the Extension Service was employed. Both of these arrangements placed the county agents, who are part of the extension set-up, in a position of importance in relation to the program.

As the program got under way, greater and greater recognition was given to the importance of utilizing the knowledge and experience of farmers themselves if sound decisions were to be reached on the many immediate problems that arose locally. Moreover, it was felt more and more strongly that in any continuing program, full responsibility for local administration should rest upon elected representatives of the farmers to whom it would apply. Hence the Agricultural Adjustment Administration steadily sought to strengthen the system of county committees of farmers.

The manner in which the functions of the county office were shared as between the farmer committee and the county agent varied within wide limits. Under most of the commodity adjustment programs elected county committees were generally credited with being in charge. The early programs for cotton and some types of tobacco, however, placed responsibility upon the county agent as the administrative representative of the Secretary of Agriculture. Under these early cotton and tobacco programs the farmer committees were appointed by the Agricultural Adjustment Administration upon the recommendation of the county agent and the committees assumed responsibility with respect to basic determinations for individual farms.

In actual practice other factors appear to have had more influence upon the relative status of the committees and county agents than did the regulations established by the central office. One of the most important was the policy adopted by the extension service in the particular State. In some instances this policy was one having the county agent consider himself chiefly as an expert counselor of his committee whom he would encourage to assume the fullest possible measure of responsibility. In such situations the emphasis was placed upon the development of farmer leadership which would run the program, and the committee tended to become the important administrative agency whether it was elected or appointed. In many cases, however, the attitude was held that the control should be retained by the county agent himself.

Probably the most important factor of all was the views of the agents and committee men as to what constituted a proper division of function. Thus some county agents persistently dominated weak committees, whereas others, stronger and more alert to the needs and opportunities for development of farmer leadership, helped to build up strong, able and active committees. Between these extremes many diverse relationships were developed.

As the program has continued more emphasis has been placed upon the importance of the county committees. Under the soil conservation plan more uniform regulations regarding their organization and operation were applied. In particular, provision was made for making all of them elected bodies. The place of these committees in charge of local administration is now definitely recognized in the new 1938 legislation, which also specifies a uniform procedure for their election. Under the new Act, the county agent is ex officio a member of the county committee in all cases. He may also be Secretary of the county committee, but if he is he derives his authority by virtue of his election by the committee and not from his position as county agent.

Although the Agricultural Adjustment Administration has sought consistently to develop the county committees and give them larger responsibilities, it still remains true that as a matter of actual practice there is wide variation in the manner in which responsibilities are shared. In general, the best work is being done in those counties where the committees are in actual charge, but where they are advised by capable and active county agents. In such instances the county agent views his function with respect to the adjustment program as being educational and advisory, with principal emphasis upon the development of farm leadership which has the ability and initiative to accept the responsibility for administering its own program.

The agricultural adjustment programs have achieved a remarkable capacity for developing new leadership among farmers. In the long run, this capacity if wisely fostered should prove to be one of the most valuable of all the attributes of the program. It should be a priceless asset to the farmers of the future.

In the judgment of the Agricultural Adjustment Administration, the associations of farmers in the counties, and the county and community committees representing these associations, constitute the program's greatest instrument for uncovering and developing potentialities for leadership in the farming communities. In a very real sense, the hope of economic democracy for agriculture rests on the farmers' committees. But these committees are most effective toward this end when they have the inspiration and the active help of an able, earnest, and broad-gauged county agent. Both for the successful operation of the current program from year to year, and for the long-time objective of developing capable, local leadership among farmers, it is essential that the program be manned in the county by strong, alert agricultural conservation associations and committees.

As time goes on, more and more States and regions should see that the practical difficulties of establishing vigorous associations and committees can be surmounted. As the difficulties are surmounted, the agricultural industry, the Extension Service, the farm program, and the Nation should share in the benefits of the good work that future years should bring.

VI. THE DEVELOPMENT OF AN INFORMATIONAL POLICY

Problems of the proper handling of public information have deeply concerned the Agricultural Adjustment Administration since it was first created in 1933. Important questions of policy concern-

ing the functions of a governmental information agency in connection with the operations of a national action program are involved.

As it has gone ahead with its work, the Agricultural Adjustment Administration has become more and more convinced that these questions lie very close to the heart of the broader problem of how democracy can make itself more effective in helping the people meet their economic needs.

Because the agricultural adjustment programs have been a new thing in government, the scope and nature of informational activities have not been charted and much pioneering work on the part of the A. A. A. has been necessary. The problems that have been encountered in carrying out the adjustment programs have been given a great deal of thought inside the Agricultural Adjustment Administration and also have aroused considerable outside discussion. The informational activities of the A. A. A. have been seriously criticized on grounds of propaganda, and some critics have gone so far as to maintain that these activities have no value whatever, but on the contrary are incompatible with and dangerous to democracy. Admittedly there are important and unanswered questions covering the extent to which it is right for the Government to go in disseminating informational matter which is of a persuasive nature, which advocates a definite course of action and asks citizens to support that course. Such questions are involved because in a democracy citizens have a fundamental right to oppose, individually or in an organized way, the acts of government, and the institution of a free press is the principal medium through which criticism of government expresses itself. One of the clearest distinctions between the democratic and absolutist forms of government is the existence of freedom of opinion, freedom of utterance, and freedom of the press.

In view of the foregoing, how far can a Federal Government agency go as a matter of wise and sound public policy in publicizing favorably its own activities and in seeking widespread public participation in its programs? How does the dissemination of information by such an agency affect the operations of the democratic system?

Those in the Agricultural Adjustment Administration who have special responsibilities in this field have sought to enlighten the public on this as well as other phases of the activities of the A. A. A.⁹

In this chapter an effort will be made to carry the discussion a good deal further than before on the basis of the experience of the Agricultural Adjustment Administration in this field in the past 4 years. In the discussions which follow, it will be desirable to have in mind a fairly clear definition of the term "propaganda." For the purpose of this report the term is used in its ordinary sense, that is as meaning material which is persuasive or argumentative and which emphasizes one point of view more or less to the neglect or exclusion of other points of view on a subject which is controversial and on which there are different opinions.

⁹ See speech of Alfred D. Stedman, Assistant Administrator, "Informing the Public About the A. A. A.," before the American Political Science Association at Chicago, December 28, 1934. These and other questions concerning the relationship between public, press, and Government were also discussed in lectures by Sir Willmott Lewis, Bruce Bliven, and Dr. Herman Finer in a lecture series on Democracy, and in group discussion with Department executives by J. R. Wiggins, Raymond Clapper, and Turner Catledge, following the lecture by Mr. Bliven.

A good many of those who have criticized the informational activities of the Agricultural Adjustment Administration have in reality been doing so on the broader ground that the entire farm program is unnecessary and inadvisable. This broader question is, of course, a proper one for discussion, but for the purposes of this study, it must be observed that the program resulted from popular insistence that the resources of Government be used to help agriculture meet its pressing economic problems, so as to protect its income and preserve the precious soil resources of the nation. Twice recently the alternative of having no farm program has, after general public debate, been definitely rejected. One instance was during depression when severe economic consequences for the Nation resulted from the effects on industry of farm price declines and losses of farm buying power. The other instance was that of drought occurring in 1934 and 1936, when there seemed to be general agreement that rather than suffer disaster from reliance upon purely individual efforts to combat the drought, the situation called for such a social effort as that represented by the national farm program.

In a nation where more and more people in business, in industry, and in the professions have been deriving the benefits of cooperative effort on an expanding scale, the idea of insisting on a purely individualistic economy for the farmers, and denying them the right to work together in meeting their common problems through a national farm program, apparently has been discarded. A farm program is, in one sense, chiefly organized information about elements in the farmer's problems and an organized way for farmers to meet these problems. The causes of the great economic disasters from which farmers have suffered in the past can now be fairly well ascertained and the disasters avoided if farmers get the information needed and act upon it. The great farm depressions of the past footed the Nation's bill for the high costs of ignorance.

This discussion does not deal with the question of whether or not a national farm program should be carried on. The basis of the discussion is the fact that Congress has by law directed the operation of such a program. Assuming the existence of this program, the questions considered here have to do with the kind of informational effort that should be carried on in connection with it.

INFORMING THE GENERAL PUBLIC

At the outset it must be borne in mind that the informational problem of the A. A. A. consists of two major parts. The first part of the problem is to afford the general public information about the A. A. A. programs. The second part of the problem is to inform the farmers who are participating or who are eligible for participation concerning the agricultural programs which are of direct and special interest to them.

The problem of advising the general public about the adjustment program is a large task in itself, aside from the special and more detailed work of providing farmers with the information they want. The Agricultural Adjustment Administration has the same duty that rests upon any governmental agency to supply information about its activities to all inquirers. It shares with other governmental agencies the responsibility to make a special effort to

furnish information in clear, understandable, and concise form to representatives of informational services of every kind.

There are a great many highly efficient means of distributing information of this type to the general public in the United States. They constitute an immense machine which includes daily newspapers, with their great national press associations and special correspondents in Washington, the radio networks and local stations, the weekly press, the national magazines, the farm magazines and newspapers, the trade press, and special publications and services of various kinds. So far as the general public is concerned, the Agricultural Adjustment Administration has sought primarily, not to create new media for spreading information, but to supply information as well as it could, in the form asked for and desired, to the agencies constituting the immensely valuable machine already existing in this country for dissemination of human intelligence. The Agricultural Adjustment Administration has felt that it has a positive responsibility to do this. In fact, this responsibility rests more heavily upon the A. A. A. than upon some other agencies because of the size and number of its operations, the large amounts of money involved, and the fact that these operations have effects upon all parts of the population. The A. A. A. has felt that failure to meet this responsibility would create serious problems for the Department.

The Agricultural Adjustment Administration therefore includes in its administrative organization a Division of Information equipped with a press service, with writers, editors, and other personnel competent to assemble information and make it available in written and verbal form. The work of assembling information is paralleled in importance by the work of its distribution, and the personnel includes those whose function is to open and keep open the channels of distribution of information. Out of the total of 3,100 employees of the Agricultural Adjustment Administration about 160 are in the Division of Information in all classes of service, including clerical, stenographic, and mechanical workers. Of these, about 30 are engaged in writing or editorial work of various kinds.

Press and radio services.—Through this Division, the Agricultural Adjustment Administration regularly issues to the press prepared releases making public accounts of its principal operations. A special need to make these releases brief, accurate, and to the point results from the greatly increased burden imposed on Washington correspondents of the daily press by the large growth in the number and scope of governmental activities since 1933. The rapid rate of movement of governmental operations designed to meet quickly changing economic conditions has also created a need for promptness in making announcements public. In carrying on these functions, the A. A. A. has operated with the full cooperation and accord of the long-established and efficient fact-finding and fact-disseminating agencies of the Department.

The radio has proved to be an increasingly valuable medium for providing the public with day-to-day information about the operations of the A. A. A. The number of radio sets in the hands of farmers as well as city people has grown by leaps and bounds. The radio is now a tremendously important means of public information and communication, and is becoming more important every day.

Working with the radio service of the Department, the Agricultural Adjustment Administration has made a special effort to disseminate information to the public through the facilities made available by the radio. In particular, it has broadcast regular reports of its operations to large radio audiences on the Farm and Home Hour. In addition, A. A. A. executives have discussed phases of its programs on special broadcasts arranged for by one or other of the national broadcasting chains at times when public interest in some part of the program was especially alert.

The Agricultural Adjustment Administration has endeavored to follow consistently the practice of affording people accurate information bearing directly upon the questions they ask. The A. A. A. has made it a definite practice to assist newspaper men and other inquirers to go directly to authoritative sources for their information. The informational workers of the A. A. A. have as one of their regular functions the making of appointments for newspaper correspondents with the experts, technicians, and executives whenever these inquirers have wanted to get to original sources and dig out information for themselves. Exceptions to this are instances in which the A. A. A. operating people are so burdened with official duties that they can not grant special interviews, and, of course, instances of requests for information bearing merely on personal controversies. The official press releases of the A. A. A. have not been used as a barrier between reporters and the executives and experts who are authentic sources of information. The reporters have been encouraged to go behind the releases to get their own information from the authorities whenever they wished. The releases have, however, served as authentic announcements. They constitute an accurate official record of administrative acts, with the requisite precision of statement in circumstances where precise statement is necessary. They afford a readily usable form of information for those who do not have time to make independent inquiry. They serve as one minimum commitment that is required of officials even when they are inclined, sometimes with much provocation, to be vague and evasive about developments in the operations in their charge.

The information policy which the Agricultural Adjustment Administration has tried to follow is called an "open" information policy. The A. A. A. has not adhered to this policy without some deviation. There have been occasional departures from it, as for example when the amounts of individual payments, including many large payments, were not made public for reasons which then seemed persuasive. But these lapses have been an exception and on the whole facts have been afforded to all newspapers and publications without regard to whether their editorial and news policies were favorable to or critical of the adjustment programs.

Within the Agricultural Adjustment Administration there has been a keen appreciation by many executives of the special value of alert and independent news reporting. The readiness of the press to report adversities of the A. A. A. and publish critical expressions of the opinions of prominent people about it has been of much more value than reporting of uniform praise would have been. The occasional suggestions made in this country that criticism of government should be suppressed seem to the A. A. A. to overlook not only the right but

also the function of the opposition in a democracy. That function is to stimulate intelligent care and alertness on the part of the administration. Even the kind of opposition most difficult to tolerate, that based on misstatement or misrepresentation of facts, does not justify so drastic a step as censorship or suppression. If the democratic processes are working, even misrepresentation may set in motion its own correctives and create an interest which makes news out of the truth. A. A. A. experience affords some instances of this. For example, in 1934 a story was widely circulated that the A. A. A. was paying thousands of dollars for reducing hog production to farmers who never had raised any hogs. The tale was repeated so frequently and by persons of so much prominence, including a historian and a United States Senator, that it became a sensation. The situation created an opportunity for the A. A. A. to take advantage of the public interest that had been stirred up and explode the story with a simple statement of the facts. This was done and public attention was focused upon the truth to an extent which otherwise might not have been possible. Another example of the same thing occurred recently when a distinguished newspaper columnist in portraying the A. A. A. aerial survey as mere sky spying gave an opportunity for the Administration to call general attention to the true significance of this historic achievement in the first permanent recording in an aerial map of the farm land resources of this country. Thus in a democracy, a mistaken opposition is often harmless because the results inadvertently achieved are just the opposite of those intended.

The Agricultural Adjustment Administration supplies its executives systematically every day with a photostat report reproducing for them the news that principal newspapers of the country are carrying about its operations. This is one way in which the Agricultural Adjustment Administration tries to learn promptly whenever serious difficulties in administration of the program develop in the field. It is also one of the ways by which the A. A. A. learns quickly where misinformation about its programs has become current. Thus the press of the country places before the Agricultural Adjustment Administration every day a swift reflection of public reactions to A. A. A. operations. Using these news reports, and supplementing them with the more detailed information that is necessary from the field, the A. A. A. systematically undertakes to correct mistakes in administration whenever instances are disclosed, and in cases of misapprehension of the facts to supply the accurate information needed to clear up the misunderstanding.

In addition to supplying information to the daily press, the A. A. A. has aided in preparation of special articles for magazines and agricultural and trade organs, and has helped representatives of such publications to get access to the material they have requested.

Research services.—While popular attention has tended naturally to focus on the news of day-to-day operations particularly when they were in controversy, the A. A. A. programs also have attracted the deep and objective interest of many writers, observers, and students of economics and government in this and other countries.

This interest has helped to stimulate the Agricultural Adjustment Administration to exercise particular care in the preparation of its official reports. Such reports have been prepared to cover special

phases of its activities for the information of the Congress and the public. The best example of these is the annual report of the Administrator, of which this is the most recent.

The Agricultural Adjustment Administration has opened its records to scientists and scientific bodies wishing to make special studies of these operations. The best examples of research carried on in this way are the Brookings Institution's published reports on the A. A. A. programs. The Agricultural Adjustment Administration helped the Brookings Institution to make most careful and searching studies of its operations, giving it free access to A. A. A. data, and opportunity for discussion of the latest thinking on A. A. A. problems by executives. The results of these studies have been published in book form.¹⁰ The Brookings research was accompanied by the freest exchange of opinion between the Brookings Institution and A. A. A. officials. Decision was entirely with the Brookings Institution as to how much weight should be given to A. A. A. opinion, and as to which contentions of the A. A. A. should be partly or wholly accepted and which rejected.

In supplying information to public and private research institutions, the A. A. A. has presented its own interpretations along with the facts, but it has also consistently respected the rights of other agencies to reach and publish their independent conclusions. It has been recognized that the varying conclusions reached by outside observers were of greater value than if only the opinions of the A. A. A. were reflected. Many inquiries have been received from, and first hand studies have at times been made by, scientific men in other parts of the world, representatives of foreign governments and research workers from public and private institutions in many different fields of research. Some of these inquiries could not be answered but conscientious efforts have been made to supply information whenever possible.

The A. A. A. has cooperated closely with the scientific bureaus of the Department, with the State agricultural experiment stations, and other research agencies of the State agricultural colleges. Again the Agricultural Adjustment Administration has supplied these Federal and State research agencies, not only with facts but also with its reasoning from and interpretations of the facts. But these explanations have been submitted as part of the proper data for consideration. There never has been any question whatever of the right of any State or Federal research agency to reach its own conclusions and to publish its findings without any regard to whether or not they were favorable to the A. A. A.

Public information and propaganda.—The charge of propaganda is not usually brought with much force against the foregoing information work of the A. A. A. Of course, observers, whether they are representatives of newspapers or of research institutions, understand that it is natural for any agency, public or private, to put its best foot forward in writing or talking about itself. It is not only a natural and human thing to do, but within limits it is also sensible, since the written record of accomplishment affords an important incentive

¹⁰ Seven volumes, by E. G. Nourse, John D. Black, Joseph S. Davis, Harold B. Rowe, D. A. Fitzgerald, H. I. Richards. The most recent, "Three Years of the A. A. A.," by Nourse, Black, and Davis.

to good administration. However, due allowances have to be made for the usual tendency toward self-praise and also for the fact that making public announcements of the A. A. A. meet all the requirements cited in this chapter is an aim but unfortunately not always an actual accomplishment. Nevertheless it is true that within the field of A. A. A. operations, the usual announcements, releases, and reports put out by the A. A. A. are to some extent comparable in objectivity to the announcements of the scientific and administrative bureaus of the Department—the reports of supplies and prices, the estimates of production, reports of marketings, and the announcements of results of research and the recommendations of Federal and State agencies for changes in farm and home practices.

While no doubt press releases tend to be couched in terms shedding favorable light on operations of the agency issuing them, nevertheless efforts are consistently made by the A. A. A. to see to it that they do not omit mention of essential details which have the contrary effect. This frankness is, to be sure, partly due to deliberate judgment that this method involves the least difficulty in the long run. Purely from the standpoint of the day-to-day impression which the public has, the Agricultural Adjustment Administration usually works on the assumption that news about mistakes in operations is least damaging when promptly announced and candidly faced. The A. A. A. opinion is that secretiveness and concealment defeat their purpose and magnify interest in such errors out of proportion to their actual importance. As an example, it is a fact that while the Agricultural Adjustment Administration declined to disclose its largest payments, the clamor about these payments became so loud as to dwarf public interest in other phases of the A. A. A. operations. But once these payments were announced, the clamor ended.

This discussion has now touched upon the general informational activities of the A. A. A. as they relate to supplying information through formal reports and releases to representatives of the public press, periodicals, and research institutions. It has been seen that accusations of propaganda are not very seriously brought against any of these activities. There is, however, another category which is of a more persuasive character than either the press releases or the formal reports, but which like the foregoing are only rarely criticized on the grounds of being propaganda. These are the speeches, letters, and public statements of the executives, including the Secretary of Agriculture when he is discussing the A. A. A. farm program, and the Administrator of the A. A. A.

These speeches and statements are recognized by everyone as being expressions of policy. They contain not only factual material, but also interpretations of the facts, and analyses of national and worldwide situations affecting agriculture. They represent the thinking of the speaker formed by him after consideration of information available to him through the operations of the entire A. A. A. While made by a single executive, they represent in part the composite judgment of the A. A. A. They contain personal and official philosophy, argument, defense, and also at times, viewpoints attacking or disputing the reasoning or citations of facts by critics.

Nevertheless while they are clearly persuasive, that is almost never taken as grounds for criticism of these expressions of policy. It is

considered to be wise and useful that all of the various elements that go to shape important public policies should be discussed in their relationships to each other. About the only way this can be done is in a speech or a letter or a radio utterance. These speeches and statements make no pretense of being mere announcements of objective and unrelated facts. They usually represent an effort to give a connected description of the main facts and a reasoned interpretation of the conditions which have led the Government to operate as it is operating. Such statements are in the nature of an accounting by the executives of the Administration to the general public and to the farmers to whom these executives are responsible. They frequently constitute the most enlightening expressions about the program that are available to the public. Occasionally they prove to have pronounced effects upon the development of the farm program. It may be that in the future some of them may come to be regarded as having made lasting contributions to the history of agriculture.

INFORMING THE FARMERS

The second main phase of the informational problem of the A. A. A. has to do with informing farmers about the A. A. A. farm programs, and with encouraging them to participate in these programs. In respect to both the adjustment and marketing agreement programs, this work supplements the administrative process in a way so important that without it the programs could not operate. The process of getting information on marketing agreements into the hands of farmers is still new, has large opportunities for improvement, and is being improved steadily. As to the adjustment programs, the methods are longer established and better understood, and the A. A. A. county and community committees play a vital part in them. These committeemen perform a service of communication to agriculture that is unique and invaluable. When a new program is being launched, the committeemen talk it over in regional conferences with State committeemen, extension workers, and representatives of the A. A. A. The county and community committeemen then carry this information to the farmers themselves in local meetings all over the country. Printed bulletins, pamphlets and leaflets, some of a popular and some of a technical nature, are used but primarily the educational process is carried out through personal discussion in the meetings, and the printed materials are of value principally in providing the basis of these discussions and supplying references for use in them.

Cooperation with the extension services.—In general, the work of informing farmers about current programs is the field in which A. A. A. methods are sometimes referred to as involving the use of "propaganda." It is therefore the field in which the problem arises of the extent to which in a democracy these methods are proper and wise. Before launching into a discussion of this problem, however, it is essential to recognize that an important distinction exists between two types of informational effort. One type is that with which the A. A. A. is primarily concerned each year in operating the current farm program, in informing farmers about that program, and in encouraging their participation in it. The other is the long-time, fundamental educational work which is carried on by Government

agencies among farmers, and which seeks to increase their general knowledge of the sciences of plant and animal production and of basic economic conditions which affect agriculture.

This latter type of broad educational activity among farmers has been carried on for many years by the established bureaus of the Department, by the State colleges of agriculture, and the Extension Service.

Naturally a development in agricultural policy so important as the appearance of the adjustment programs has had marked effects upon this long-time educational work. Temporarily, at different times in different States or regions, the adjustment programs have disturbed long existing State and Federal relations in the field of education. But with experience and better understanding of the nature of the new problems, these difficulties have been surmounted.

Carrying on the fundamental educational work of the Department of Agriculture has been and continues to be a function of the Extension Service, cooperating with the extension services of the several States. It is true that some general educational activities have been carried on by the A. A. A. The A. A. A. has and will continue to have a deep interest in these activities; and, although the field is recognized as being chiefly that of the Extension Service, the A. A. A. does what it can to assist and supplement it.

The A. A. A. programs have had marked effects upon the basic educational work of the Extension Service. They have increased enormously the need for and interest in fundamental education in the economics of agriculture and industry, the sciences of production, farm management, and soils, the relationships between producer and consumer welfare, etc. The A. A. A. programs have given a tremendous and healthy stimulus to all the work of the Department in this broad field. The programs have afforded farmers a systematic means of putting to immediate and practical use the knowledge of good farming methods and of economic problems which, over the years, the educational efforts of the State and Federal extension services have been steadily making available to them. This basic educational work of the extension services is useful to farmers whether they take part in the A. A. A. programs or not.

The A. A. A. has, however, had other effects on the work of extension. For a time, in a good many States, the Agricultural Adjustment Administration had to rely largely on State extension services for actual administration of the program in the State. This naturally tended to alter the principal function of extension, and to cause personnel and resources greatly needed for basic educational work to be focused upon administrative duties. This situation in the States has, however, been relieved as the State and county committees of farmers have been able more and more to assume the burdens of local administration.

The Extension Service has also been affected in another way, as the A. A. A. has sought for its cooperation in the field of the other type of information—that is, the work of informing farmers about the current program and of encouraging their participation. The State extension services, with their county agents in every county—many of them chosen by farmers to serve as secretaries of the county A. A. A. associations—have been of great help in this field. However, the

director of the State extension service is primarily responsible to the State college and not to the Secretary of Agriculture, and as a State agency the State extension service determines for itself the extent to which it will or will not carry on this type of informational work on current A. A. A. programs. In carrying on this essential process of communication with farmers about the current program and encouraging them to take part in it, the practice of the A. A. A. is to welcome the fullest cooperation from the State colleges and extension services that is possible, recognizing frankly, however, that any State has the unquestionable prerogative of leaving part or all of this kind of informational activity to the farmers' committees and the A. A. A. administrative personnel. Although the work of informing farmers about current programs has been improved considerably, one of the greatest problems still confronting the A. A. A. is that of supplying correct information about and understanding of the programs among the millions of farmers in the United States. The A. A. A. needs to improve a great deal its educational work on current programs and greatly needs all the help the Extension Service can give. One thing which can be done by the A. A. A. is to give better service in the States and provide more cooperation with State extension services. The A. A. A. State offices can take steps to assure that more adequate information regularly reaches the county and community committeemen and the farmers. It is essential to administration of the program that the A. A. A. committeemen be promptly and effectively supplied with adequate information about the program.

Farmer information and propaganda.—With the distinction clear between basic educational work of the State and Federal agricultural agencies, and the current informational work of A. A. A. in its annual programs, a discussion of this latter kind of effort, to which the term "propaganda" has sometimes been applied, can be undertaken.

The operation of A. A. A. programs depends on the individual decisions of large numbers of farmers. Obviously the decision of individual producers determines whether they will participate in the program or remain outside. The way in which each individual makes up his mind depends, at least in part, upon the adequacy of his information about the program and about the way in which it will affect him. In order to be in a position to choose intelligently a farmer needs to know the facts about the program as it applies to his farm. And he has an unquestionable right to be given these facts. This right was recognized, especially by Congress, very early in the life of the A. A. A. This specific recognition of the right of farmers to have adequate information was given by amending the National Industrial Recovery Act in 1933 to include the following:

Notwithstanding any provisions of existing laws, the Secretary of Agriculture may, in the administration of the Agricultural Adjustment Act, make public such information as he deems necessary in order to effectuate the purpose of such act.

The administrators of the adjustment programs have a clear duty to supply the essential information regarding their operations so far as they can do so. This responsibility of the A. A. A. extends to farmers who do not participate as well as to participants. The ad-

ministrators would be failing in that duty if they neglected to supply the farmers with this information.

THE BACKGROUND OF UNBIASED INQUIRY

Information about the current A. A. A. programs goes through two distinct phases. During the first phase, the attitude of the A. A. A. is one of inquiry, and is therefore relatively objective and unbiased. In the second phase, however, the A. A. A. is not neutral but engages in positive support of a program. The first phase is the period of program making, and the second is the period of program operation. The work of the A. A. A. in providing farmers with information about the program as a basis for their decision on the question of participation begins when the program-making phase is ended.

In the first phase, the Agricultural Adjustment Administration gathers all the essential information that it can get from the several important sources that are available. One source is the farmers themselves. Their recommendations as to the kind of program they want are worked out through the county planning committees and are considered along with other data. The A. A. A. seeks to make sure that its new program is well grounded on the facts. Therefore a large part of program planning consists in gathering the necessary data. These data are assembled from research agencies of the Department and of the State colleges of agriculture and agricultural experiment stations. The A. A. A. relies heavily upon the Bureau of Agricultural Economics to provide the pertinent facts about supplies, plantings, prospective yields, and the outlook for new markets here and abroad. The A. A. A. also, in this fact-finding period of program making, draws upon the expert knowledge of the Soil Conservation Service, the Bureaus of Plant and Animal Industry, the Bureau of Chemistry and Soils, and the other bureaus to afford advice as to the extent of soil destruction and as to up-to-date methods of protecting soil against wind and water erosion. It draws likewise upon the information in possession of the scientific bureaus as to regional and local adaptabilities, opportunities for improvements in farm management, and chances to develop the farming industry in such a way as to meet the health needs and dietary requirements of all the people. This work of the established research agencies in obtaining this information is purely scientific and objective, and the Agricultural Adjustment Administration endeavors, in collating the facts and formulating them into a program, to exercise scientific deliberation and discrimination of judgment.

Building a program requires careful analysis by technicians of the data that have been assembled from all sources. It requires reasoning from the facts. It requires the exercise of forethought as to future developments. It requires accommodation of the national program to the needs of different localities and regions. While a program is in the formative stage, there is a great deal of discussion pro and con of the proposed provisions. Many provisions are modified or rejected entirely after weaknesses are revealed by such debate. This is the period of free exchange of opinion within the A. A. A., of weighing of advantages against disadvantages, of doubt and decision.

THE ELEMENTS OF PERSUASION

When the program has finally been worked out and agreed upon, the Agricultural Adjustment Administration then must face the fact that the success of it depends very largely upon the degree to which farmers accept it and participate in it. By the time the program is completed, it presents the best composite judgment of the A. A. A. as to what a program worked out within the terms of the law should contain in order to serve most effectively the interests of the farmers and the general welfare.

Having reached such a judgment, the A. A. A. is impelled by various factors to present the program fully and effectively to the farmers, and in so doing to place emphasis upon its advantages to them. For one thing, the A. A. A. would not be honest or candid to pretend to have a neutral attitude toward its own program. Moreover, the A. A. A. knows that no matter how good a program is it will be relatively useless unless large numbers of farmers understand what the program is and take part in it. Furthermore, each new program has usually been subjected immediately to sharp attack, sometimes led by forces having a selfish financial interest in causing it to fail. In fact, the programs that the farmers have carried on through the A. A. A. have for 5 years withstood almost continuous assaults, constituting an opposition campaign having few parallels in the history of this country. These attacks have at times involved serious and systematic misrepresentation of facts, resulting in demands from farmers and others for accurate information.

So this phase of the A. A. A. program work is the phase of communicating to farmers information about the program—of telling “the what, the why, and the how” of that program. To be more specific, this means explaining to farmers what the main provisions of the program are, why they are needed, and how farmers may carry them out on their own farms. The acquainting of farmers with the nature of the program is carried on, as has been said, largely through the State, county, and community committees of farmers which administer the program. Informing the county and community committees about the program is a vital step in the whole process and it is essential that channels of information to these committees be kept open. The work of informing the committees paves the way for the program discussion meetings that are held later with the farmers generally in each community. These meetings cannot be successful unless the committeemen first are adequately informed. The written and spoken statements distributed to A. A. A. committeemen and farmers are such as to arouse a favorable response on the part of farmers and encourage them to take part in the plan. Under a definition of “propaganda” as broad as that given at the beginning of this chapter, published matter distributed to farmers describing the programs would, in some instances at least, be considered to fall within the meaning of that term, even though the information scrupulously undertakes not to misrepresent any facts to anyone. It is propaganda in the sense that the A. A. A., with full respect for the facts, still gives the farmers an extensive presentation of one course of action as being more desirable than others. The process involves picking and choosing as between sets of facts, placing more emphasis upon some than upon others according to a judg-

ment of their relative importance. Thus it does involve a departure from the objective attitude. It involves active support of a positive plan of cooperative action which is intended to improve the economic condition of agriculture.

EFFECTIVE METHODS OF INFORMATION

The task of informing millions of farmers and the general public about the agricultural program naturally involves tremendous practical problems and there are differences of opinion among people in Government about the relative effectiveness of alternative methods.

In place of a detailed discussion of method, which does not seem necessary here, the opinion of those responsible for informational policy during the period covered by this report is briefly summarized. This opinion is based upon 5½ years' experience of the A. A. A. in the field of information, and points to the conclusions which follow:

1. Successful education of great numbers of people about a complex operation requires the use of the simplest, most direct and clearest methods that can be devised. The reason for this is not the limitation of human understanding so much as the variety and intensity of the other things that always are competing with the farm problem for the interest and attention of laymen.

2. As the audience narrows from the general public or the general body of producers to a smaller number of persons, such as administrative personnel, who have greater interest in detail, more use can be made of the lengthier and more technical types of bulletin materials.

3. The importance of the problem of distributing information cannot be overemphasized. The press, the radio, the magazines, the news reels, and other media are disseminating more and more information to the public and the Government should not hinder but help them in the more effective performance of their function. In carrying out a farm program, channels of communication have to be established by the administrative agency, in order that clear and accurate information about the program can be distributed promptly to administrative personnel and participating farmers in every locality. Having such an efficient distribution system is vital to the farm program.

To flood the rank and file of farmers or community committeemen with voluminous technical publications creates confusion and defeats the purpose of the educational effort.

To achieve real and lasting understanding by large numbers of people and so to make a genuine contribution to the growth in this country of intellectual democracy, educational material must be prepared with the greatest care so as to be given the clearest possible form. When possible, it should be made graphic. In written material, this can be done by the use of short sentences, and simple words of clear meaning. The printed word can be supplemented by the use of pictures and sound. This does not mean that money should be squandered on luxurious publications. The Government has to be economical in its expenditures for information materials. But to issue printed matter which in wording is so abstruse or in style and format is so unattractive that it will be read by only a small minority of those

to whom it is sent is a waste of funds. The most economical printing is that which at least cost is actually read and understood by the greatest number of those for whose use it is prepared.

As democracy grows, and its cultural as well as its economic foundations are better understood and more appreciated, great strides undoubtedly will be made in education. A vast educational process is going on all the time, and to this process each of the great media for transmitting human intelligence makes its contribution. Some of the elements of the problem are fairly well recognized. It is generally understood that the qualities of the human mind vary greatly from one person to another. Some people get their clearest mental impressions as word symbols through the eye. Some assimilate ideas much more rapidly when the ideas are transmitted through the eye in the form of pictures rather than words. Some seem to get more quickly the ideas reaching them through the ear—as when a radio speech conveys impressions through the sense of hearing. But nearly all of us can grasp quickly and retain a simple idea conveyed by graphic visual media, i. e., by the direct speech of a speaker who is visible, by short clear sentences displayed in type big enough to be easily read, by pictures supplemented by a few direct explanatory words conveyed to the eye in printing or to the ear in sound. Vivid impressions are given by such combinations as sound movies, exhibits, and sound film strips. The tremendous success recently scored in the picture news magazine field is proof that simple graphic methods, with brief use of the printed word in cut lines, are appealing to the average man, and effective with him.

The experience of the A. A. A. in educational work seems to point to the greater use of brief one-, two-, or four-page leaflets, of brief, illustrated material, of more compact releases to the press, of posters and of exhibits appealing to both eye and ear for use at fairs, of film strips and sound pictures, and of the radio. The experience of the A. A. A. shows the importance of having competent editors and writers who know the language of the average man, who can think straight, and who are able to reduce complex and technical material to simple form that laymen can quickly understand. For whether an idea is to be presented in a poster, a sound movie, a radio talk, or a leaflet, it will have greatest value and effectiveness only if it can be expressed clearly in word form because people most commonly exchange their thoughts in words. The effectiveness of the farm program itself depends to a large degree upon the clarity of the thinking and adaptability to clear statement of the reasoning upon which the program is based. Farmer participation in the program will be considerably measured by the reasonableness of the program, how well the rank and file of farmers understand it, and how much it appeals to their common sense.

In connection with all the foregoing it should be borne in mind that the great educational gains made by the A. A. A. in spreading knowledge of farm problems among farmers have come primarily from discussion of these problems by the farmers themselves in their own meetings with their own committeemen and other leaders. The methods here described have been most useful in providing the material that serves as a basis for these discussion meetings. But great opportunities exist for increasing understanding of agricultural

problems both by farmers and the general public through improved use of these methods.

THE FUNCTION OF INFORMATION IN A DEMOCRACY

It is hoped that the nature of the information problem in the actual operation of an action program in a democracy has become fairly apparent from the foregoing discussion. The question is: Can such informational efforts be carried on constructively in our country or are they in some way inimical to democracy? Does the action program, and the use of persuasive informational methods in carrying it out involve danger to freedom of the press and free speech? Such a danger would mean that democracy itself was endangered.

But democracy itself—the majority of the people—has insisted that the Government take action to help the people meet their pressing problems. The people have shown that they will not tolerate inaction on the part of the Government when distress could readily be relieved by cooperative programs carried on with Government help. In fact, democracy seemed most in danger when Government refused to take action to meet these problems. When it did act positively, the danger to democracy seemed to recede.

When action programs are demanded of the Government, it becomes essential to inform the people about these programs. Informed public opinion is the basis of democracy. Adequate information is all that stands between democracy and the complete inefficiency and ineffectiveness which hitherto have paralyzed the people during a depression. The effort to inform 6,000,000 farmers about the outstanding facts of their economic problems, and to give them and the general public an understanding of these problems and of the program that has been worked out to meet them is, perhaps, one of the largest and most difficult educational undertakings in the history of democracy. To be most useful, this informational undertaking must be tied to a program which is itself in the public interest. The educational effort must be truthful and factual in character and not a mere campaigning of ballyhoo and bunkum. It must not be high pressure promotion. It must not depend on the shallow and artful tricks of publicity. It must not rely on stirring dangerous fires of fear or hate. A national farm program must have too deep and enduring usefulness to the Nation to be achieved by the trickery that peddles cheap nothings to unwilling customers, or that merely wins petty political triumphs which while seemingly brilliant one day are gone the next, or that furthers the sinister ends of powerful and selfish interests. The purposes of government must be firmly grounded in the lasting welfare of all the people, and the methods used should have worth and integrity great enough to match these ends.

DEMOCRATIC SAFEGUARDS AGAINST PROPAGANDA

A program such as that of the A. A. A. must contain in itself adequate safeguards against violations of these ends. First of all, the program must meet one vital qualification: It must serve the interests of the general public as well as the farm group.

As an assurance that the program is in the national interest as well as the interest of the farm group, the authority for operation of the program rests upon the approval by the national legislature representing all shades of public opinion and all groups of the people.

A second assurance is the readiness of administrators on their part to require that the program shall be of such a nature as to serve the national welfare as well as the farmers as a group. This responsibility of the farm program to the whole people has been recognized over and over again by the Secretary of Agriculture and by the administrators of the Agricultural Adjustment Administration. One of their principal tasks, therefore, from the point of view of both economic and political science, and one of the principal concerns of those especially interested in the A. A. A.'s public relations problems, has been to seek out the points where the interests of the farmers coincide with the interests of the general public and to build the program upon these key points as a foundation.

A further safeguard to democracy in carrying out an action program is that the program itself shall be of a democratic nature. The A. A. A. adjustment program is carried on by nearly 4,000,000 farmers and the A. A. A. marketing agreements on their part affect possibly 1,500,000. In respect to operation of marketing agreements, the farmers through special committees have a large voice, and the farmers have a large part in running the adjustment program through the county and community committees of farmers, which they themselves elect. This is a democratic form of organization comparable in some degree to the old town meeting method of discussing and deciding public questions. The farmers themselves are as a group very independent in spirit and action. The picture of them so often painted by opponents of the farm program as being submissive persons looking for somebody to tell them what to think and do is a fiction. The farmers are not that kind of people. They do not take orders from anybody. But even if they were not independent minded and there were a real danger of "regimentation," the committee form of farmer organization would be a strong protection of democracy. Further protection of the same kind is the requirement that when an emergency program includes close controls or regimentation, the methods must be conditioned upon a favorable vote of a large majority (two-thirds majority) of those farmers voting in a referendum.

Still another safeguard is the existence of strict regulations to assure that the programs are carried out on a nonpartisan and nonpolitical basis. This means that all payments to farmers must be made in a fair, impartial, and impersonal way and on an absolutely nonpartisan basis, that no payment under any circumstances can be made to any individual on any grounds of political influence or identification with party or party leadership.

It is required also that the farmers' committees must be prohibited from official participation in political campaigns. This is the reason why the articles of association of the farmers' county associations contain the following among their regulations:

The tenure of office of any committeeman, delegate, officer, or employee shall be automatically terminated and a vacancy shall exist when such person becomes such a candidate or accepts such a political position.

The office, clerical, mailing, or other facilities of the association shall not be used for political purposes, nor shall any such facility be used in any way to support, assist, or oppose any political candidate or party or for any other purpose than these set forth in article II.

Most vital of all, however, is the requirement that the action programs do not interfere in the slightest degree with freedom of speech, freedom of the press, and freedom of assembly. Opponents of the program must be free to criticize; they must have the liberty to present organized opposition. They must have the freedom to find fault with the Government's operations and to express their opposition. They must have access to the radio, to the press, and to the public forums. The requirement is that nongovernmental agencies as well as Government shall have opportunity to express themselves to the people.

If these key institutions of democracy continue to function, if the Government does not try to undermine them, but cherishes their value and strives to build them stronger, then it appears that democracy is not endangered by a program of action, even if that program is carried out in part through the dissemination of information which is of a persuasive nature.

It is too much to expect all the rules of democracy to be adhered to at all times without any mistakes or failures. But nothing is more certain than that democracy has effective ways of punishment for grave and persistent infractions, just as it has effective rewards for important service well done. The degree to which the rules are observed is the best measurement of good administration.

Democracy depends more than any other system of society upon the information and intelligence of the people. The reason for the existence of an action program such as the A. A. A. is to help the people make democracy work. The purpose of the informational activities that have been described in the foregoing pages is to supply farmers and non-farmers with information about the program, the reasons for it, and the details of its operations. When these informational activities are examined in the light of the facts and the human needs of the people, they seem to have a legitimate and vital place in democracy.

VII. WHAT THE EXPERIENCE HAS SHOWN

The progress of the experiment in administrative organization and procedure which the Agricultural Adjustment Administration represents cannot be stated precisely and positively. Certainly it is not yet possible to measure precisely the results obtained. But the experience of more than 5 years has revealed something of the value and limitations of the arrangements which have been described.

At the beginning of this discussion it was pointed out that the Agricultural Adjustment Administration should be judged from two distinct points of view: First, as an action agency charged with carrying out the provisions of legislation designed to benefit farmers immediately; and second, as a planning agency charged with merging the immediate adjustments into the long-time trends of permanent agricultural policy. Both of these viewpoints have influenced the administration of the program and should be taken into account in any conclusions drawn from the experience so far obtained.

PROGRESS TOWARD THE IMMEDIATE GOALS

From the first point of view it is believed that the Agricultural Adjustment Administration has attained a very considerable measure of success. The A. A. A. feels that as an action agency it has as a rule been responsible, and reasonably efficient and effective, considering the difficult nature of its task and the critical circumstances under which it has operated.

For the most part the Agricultural Adjustment Administration has attained whatever degree of success has been achieved in fulfilling its obligation to carry out an action program for the immediate benefit of agriculture by exercising directly the authority with which it has been endowed by Congress. To this extent it has functioned as a centralized agency. At the same time, important features of self-regulation by the agricultural industry itself have been retained and these have obtained for the program many of the advantages inherent in democratic administration. In part this has been accomplished by proceeding upon the basis of recommendations from farmers and by bringing administration into the closest possible contact with the farmers themselves. But in part also it has been accomplished through the development of special methods for consulting the views of the farmers on administrative matters. Through the use of these methods the Agricultural Adjustment Administration has obtained the benefit of farmer experience in determining policies and formulating the programs.

Likewise, features of democratic administration have been obtained by partially decentralizing the task of carrying out the program and leaning heavily upon the judgment of farmer committees in applying the program to local and individual farm conditions. All of these features appear to have been indispensable to the successful conduct of the program under the conditions which have prevailed. They have been particularly helpful in working out plans which would benefit the maximum number of farmers and probably have furnished the only possible means of arriving at an equitable allotment of these benefits within the counties.

PROGRESS TOWARD THE LONG-TIME OBJECTIVES

These same features of the program evidence progress in the direction of the long-time objective with respect to administration. It seems to the administrators that, on the whole, this progress also has been encouragingly large; probably as large as could be expected in view of all the circumstances, including the somewhat conflicting requirements arising out of short-time or emergency situations. But the accomplishment from this point of view has not been so complete or conclusive as it has been from the standpoint of satisfying immediate requirements. The arrangements which have been described still fall short of the goal of establishing agricultural planning by the farmers themselves—effectively assisted by the Department of Agriculture, State agricultural colleges, and other agencies—as a recognized and permanent institution. A great deal remains to be accomplished if this objective is to be fully attained.

Several factors have operated to limit the extent to which the democratic process could be developed in administering the program

thus far. One of these has been the shortness of the time within which the provisions of the program have had to be developed in each year. The original adjustment legislation was approved on May 12, 1933. Likewise the laws authorizing the soil-conservation program of 1936 and the adjustment program of 1938 were approved late in February of these years. Hence, in three instances provisions of a new program have had to be formulated under pressure of time.

Moreover, the operations were disrupted in 1934 and again in 1936 by drought conditions which made it impossible to consider plans for the succeeding seasons on anything like a normal basis. Therefore, in practically every year policies have had to be established and plans formulated and put into operation under conditions which, from an administrative standpoint, closely approached those of a continuous emergency.

Under these circumstances it has seemed impossible to develop the full measure of farmer participation in determining adjustment policies and formulating programs that is contemplated as being most desirable from a long-time point of view. Arrangements for such a conduct of the program must be developed slowly. Moreover, even if these arrangements could be suddenly established it would not be reasonable to assume that the farmers themselves could take on themselves all at once the manifold responsibilities involved. The experience so far indicates that farmers are fully capable of assuming the duties and responsibilities contemplated by this conception of the long-time program, but that much work is required before these potentialities can be fully utilized.

At the present time, few question the fundamental importance of retaining the principle of democratic administration in a long-time farm program, but there are different views even within the Agricultural Adjustment Administration as to the extent of the responsibility which should be assigned to farmers. These differences are evident from specific proposals that are made, from appraisals of various administration features, and from the various adaptations of the administrative structure in various regions. They arise out of variations in individual concepts of the function of the administrative agency, out of differing views as to responsibilities which may be assumed by farmers, and out of differences in opinion as to the purposes of the program and the relative emphasis to be given immediate goals as compared with long-time objectives.

In general, administrators agree that the program could be administered with greater speed and probably more economically if a democratic procedure were not employed. Payment to farmers for part-time committee work is in some respects less expensive than hiring full-time Government employees, but there is also considerable loss in training new committeemen, and the efficiency of the latter can hardly be expected to be as high as in the case of permanent employees.

But even though centralized administration may be more efficient and less expensive, it is believed that any method of centrally framing rules and regulations to be applied locally must encounter a fundamental difficulty when it is employed in a continuing program. In the last analysis, effective administration can proceed only as

fast as comprehension and understanding by the farmer. Bureaucratic machinery breaks down sooner or later when it must struggle against an uninformed or unsympathetic public. Moreover, it tends to follow precedent, and hence to become fixed in some conventional pattern rather than to maintain a progressive development. The democratic procedure develops understanding fastest, and in thus strengthening the weakest link it effectively strengthens the whole undertaking.

Finally, in comparing bureaucratic and democratic procedures for the conduct of agricultural programs in behalf of the general welfare, it is evident that in cases where farmers themselves make the decisions, they are more interested than before in actually conserving soil fertility and actually contributing to the permanent value of their land. Thus, through such methods the Nation is likely to gain both in better farmers and in better citizens. On the other hand, if the program is bureaucratically administered, it faces grave danger of becoming primarily a means of payment distribution—with the farmer's chief concern that of securing the largest possible allotment of funds.

The conclusion stands out that the best kind of farm program, and the one most suited to function in our country, is one in which the farmers themselves have a large voice. The courts being willing, the farmers could play a bigger part than they have, with benefit to themselves, to the program, and to the Nation.

CHAPTER 9

CONCLUSION

An earnest attempt has been made in this report to afford the Secretary of Agriculture, Members of Congress, and the general public a factual and analytical account of the work of the Agricultural Adjustment Administration.

While it covers primarily the period from January 1, 1937, to June 30, 1938, the report has also gone back into the history of the earlier adjustment programs. In its analytical portions, the report has tried seriously to achieve an objective attitude, because this approach seemed to have the greatest possibilities of value to the public, the Department, and the Congress. But while apart from their context, these portions might be interpreted to mean that the tangible accomplishments, as measured by the statistical method, were not large, still the general effect of the report as a whole is to bring out the great worth of a truly pioneering effort in the development of a national farm program.

I. THE PROGRAMS AS AN AID TO RECOVERY

The Agricultural Adjustment Administration programs were established as part of the Federal Government's broad program for national recovery. Their purpose was to wage war, on the farm front, against the Nation-wide depression. Others might debate the wisdom of having any farm program, or deliberate exhaustively over the exact amount of the results obtained by it, but the Agricultural Adjustment Administration had a clear mandate for action.

The Agricultural Adjustment Administration did what it had to do. When the A. A. A. was created in 1933, the Nation had been swept into the vortex of a depression. While now some may contend that the economic situation of the country would have straightened out without the help of Government, then the Nation did not want to take such a chance any longer. The people at the polls had emphatically rejected the policy of governmental inaction. One of the consequences of that decision by the electorate was the enactment by Congress of the Agricultural Adjustment Act of 1933.

The A. A. A. accepted the responsibility for administering the law, and the related laws that were later enacted. Back of this legal responsibility, it had the duty of helping American agriculture to make adjustments which could not be further neglected except at the greatest peril. These adjustments had been made inevitable by the shrinkage of world markets for American export products as a result of our transition from a debtor to a creditor nation following the war. The adjustment to fit smaller markets could have been

accomplished through starving out large numbers of producers, but after business and industry had shared with agriculture the acute pains of that process, the plan of Government help in making the adjustments was adopted as a safer and better way. The development of a program to enable the farmers to work together cooperatively in meeting their production and marketing problems was also necessitated by the increasing use of controls of supplies and prices by corporate industry in the United States.

So the task of the Agricultural Adjustment Administration was to help farmers meet problems which had to be met.

Next to the crisis of the depression, the droughts of 1934 and of 1936 confronted the farmers' programs with tremendous work which had to be done. The farmers had learned that working together in a national program, they had a common defense against either drought or depression, while as individuals they had been easy victims of both. Having come through the dangers of drought and depression, the farmers needed to maintain farm income on an even keel. The reality of this task and the usefulness of the farm program in accomplishing it were shown as a new depression began to threaten late in 1937.

II. THE PROGRAMS AS AN AID TO AGRICULTURAL CONSERVATION AND STABILITY

With passage of the Soil Conservation and Domestic Allotment Act in 1936, to take the place of invalidated parts of the Agricultural Adjustment Act, conservation of the fertility of the Nation's farm lands became one of the responsibilities which the farm program had to face. Besides being a legal requirement, this was a responsibility to the general welfare. If anything lies within the proper scope of Government, it would seem to be the conservation of the national resources upon which the existence of human life depends. Yet no lesson of economic history stands out more clearly than that the absence of Government protection of these resources, leaving the handling of them to the forces of unlimited competition, has led to the ruthless exploitation and destruction of the land, forest, animal, and mineral resources of the country. For generations, farmers have been driven by recurrent collapse of their incomes into the sale at bankrupt prices of their soil fertility. They have had to mine their soil because they could not afford the small immediate cost of conserving it. The result has been immense losses to the farmers and the consumers of the present and future. The Agricultural Adjustment Administration undertook the urgent task of devising a national program through which farmers could substitute cooperative conservation for competitive destruction of soil fertility. Such a program is in the interests of the lasting welfare of the Nation.

The farm programs have had one further responsibility, which grew out of the great droughts of 1934 and 1936 and out of the tremendous surpluses of farm products which preceded and followed those short-crop years. This is a responsibility not only to farmers but to consumers. It is the need to stabilize farm supplies in order that farm prices and consumer prices may be more stable. It is the

need to find better ways of using the surpluses of the big-crop years to offset the shortages of years of crop failure. Meeting this responsibility is the purpose of the Ever-Normal-Granary plan which the new farm act now has provided for the protection of farmers and consumers.

* * * * *

So the story of the adjustment programs is best told by the kind and the scope of the work they had to do. The work is not finished, and perhaps is only begun, but the launching of a great social effort is in itself a significant event in the history of such an effort.

This report is of necessity written in impersonal terms. But the achievements of the adjustment programs are, in fact, not impersonal. They are the result of the combined efforts of several million farmers to carry on the program, and of a vast amount of work in every farming community and every State of the committees representing the farmers. These achievements are also the product of years of tireless and devoted effort by the remarkable body of men who have staffed the A. A. A. in Washington and in the field.

During all 5 years of the existence of the Agricultural Adjustment Administration, the farm programs have been under ceaseless attack by powerful and organized forces of opposition. But because so many people have felt that the need for the program is real, it has emerged from all these assaults stronger and better than before, continuing to serve the interests of agriculture and of the entire Nation.

APPENDIXES

Appendix A.—SOIL-BUILDING PRACTICES APPROVED AS MEANS OF OBTAINING CLASS II OR SOIL-BUILDING PAYMENTS, WITH RATES OF PAYMENT AND LOCALI- TIES WHERE APPROVED

Exhibit 1.—APPROVED SOIL-BUILDING PRACTICES, RATES OF PAYMENT EARNED BY FOLLOWING SUCH PRACTICES, AND LOCALITIES FOR WHICH PRACTICES WERE APPROVED UNDER THE 1937 AGRICUL- TURAL CONSERVATION PROGRAM

Practice	Rate of payment	Area in which practice is applicable
A. General farm practices:		
(1) Seeding adapted perennial legumes.	\$1 to \$4 per acre ¹	All States except Maine and Vermont.
(2) Seeding adapted biennial legumes.	\$1 to \$3 per acre ²	All States.
(3) Seeding annual legumes (except soybeans, cowpeas, and other summer legumes).	\$1 to \$2 per acre.....	Do.
(4) Seeding perennial grasses and grass and legume mixtures.	\$1 to \$3.50 per acre....	All States except Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, and New Jersey.
(5) Planting of sod pieces of perennial grasses.	\$2.50 to \$4 per acre....	Western Texas and Oklahoma, Kansas, Colorado, New Mexico, and California.
(6) Green manure and cover crops plowed or disked under or (in some instances) left on the land.	\$0.50 to \$2.50 per acre ³ ..	All States in the Northeast, East Central, and Southern regions and limited areas in the Western region.
(7) (a) Renovation of perennial legumes.	\$2 per acre.....	Arizona and New Mexico.
(b) Disking in of alfalfa on irrigated land.	\$6 per acre.....	Oregon.
(8) Planting forest trees.....	\$5 to \$10 per acre.....	All States except Arizona and Rhode Island.
(9) Cultivating, protecting, and maintaining a stand of forest trees planted since Jan. 1, 1934.	\$4 per acre.....	Nebraska and South Dakota; all States in Western region except California, Arizona, and New Mexico.
(10) Improving the stand of forest trees by cutting weed trees, and thinning or pruning other trees.	\$2.50 to \$3 per acre....	North Central and East Central region, Northeast region except Rhode Island, New Jersey, and Pennsylvania.
(11) Fencing livestock out of farm wood lots normally pastured.	10 to 20 cents per rod of fence.	Northeast region except Rhode Island.
(12) Excluding livestock from maple-sugar orchards.	\$1 per acre.....	Vermont.
(13) Providing windbreaks on muck or sandy soils:		
(a) Shrubs.....	\$1 per acre protected.	New York.
(b) Rows of small grain.....	25 cents per acre protected.	Do.
(c) Strips of small grain not less than 4 feet wide.	1 cent per linear rod not to exceed 30 cents per acre.	California.

¹ The most common rate is \$2.50 per acre, this being the rate for the seeding of alfalfa in all States except in the Northeast region, where the rate is \$3. The \$1 rate applies only to wild white clover in New York and white clover in the East Central region. The \$4 rate applies throughout the Western region if a good stand of a perennial legume is obtained and the nurse crop, if any, is not harvested for grain or hay. This rate also applies under like conditions with respect to alfalfa on dry-land farms in Nebraska and South Dakota.

² The most common rates are \$1.50 and \$2 per acre. The \$1 rate applies only to the seeding of sweetclover in the North Central and Western regions. The \$3 rate applies only in the Western region and on dry-land farms in Nebraska and South Dakota when a good stand is obtained and the nurse crop, if any, is not harvested for grain or hay.

³ The most common rate is \$1 per acre for nonleguminous green manure and winter cover crops and \$2 per acre for summer legumes used as green manure crops. The \$0.50 rate applies only for special cover and green manure crops in limited areas of the Western region and the \$2.50 rate applies to legumes used as green manure crops in the Northeast region.

Exhibit 1.—APPROVED SOIL-BUILDING PRACTICES, ETC.—Continued

Practice	Rate of payment	Area in which practice is applicable
A. General farm practices—Continued.		
(14) Application of ground limestone or its equivalent to cropland or pasture land.	\$1.25 to \$5 per ton ⁴ ----	All States in the Northeast, North Central, East Central, and Southern regions and in Kansas, Oregon, and Washington in the Western region.
(15) Application of superphosphate (16 percent) or its equivalent to soil-conserving crops or pasture.	50 cents per hundred-weight. 60 cents per hundred-weight. 64 cents per hundred-weight.	Southern region. East Central and North Central regions and in Idaho, Kansas, Nevada, Oregon, Utah, and Washington. Northeast region.
(16) Application of muriate of potash (50 percent) to soil-conserving crops or pasture.	75 cents per hundred-weight. \$1 per hundredweight.	Delaware. North Central region and Maryland, Virginia, West Virginia, and North Carolina.
(17) Application of nitrate of soda (16 percent) or its equivalent to soil-conserving crops or pasture.	\$1.50 per hundred-weight. 64 cents per hundred-weight.	Northeast region.
(18) Application of manganese sulphate to soil-conserving crops or pasture.	\$2 per hundredweight.	Maine, New Hampshire, Vermont, Massachusetts, New Jersey, and Pennsylvania.
(19) Application of basic slag to soil-conserving crops or pasture.	35 cents per hundred-weight.	Southern and North Central regions.
(20) Application of gypsum to soil-conserving crops or pasture.	62½ cents per hundredweight. \$1 per hundredweight.	5 counties in Minnesota. Idaho and Nevada.
(21) Terracing-----	40 cents per 100 linear feet.	All States in Southern, North Central, East Central, and Western regions, except West Virginia, Idaho, North Dakota, Oregon, Utah, and Washington.
(22) Gully control:		
(a) Constructing and maintaining permanent dams for diversion of flood waters or filling shallow gullies.	15 cents per cubic yard.	California and Utah.
(b) Construction of straw checks in gullies.	30 cents per 100 feet----	Oregon.
(23) Subsoiling-----	\$2 per acre-----	Virginia and North Carolina.
(24) Diking for floodwater diversion-----	\$1 per acre-----	Montana.
(25) Approved summer fallowing-----	50 cents per acre-----	All States of Western region except Arizona and California.
(26) Protected summer fallow, wind and water erosion control, and weed control:		
(a) Not basin listed-----	\$1.50 per acre-----	Dry-land farms in Nebraska and South Dakota.
(b) Basin listed-----	\$2 per acre-----	Do.
(27) Strip cropping and fallowing:		
(a) Alternate rows of sorghums or Sudan grass and fallow.	25 cents per acre-----	Western Texas and Oklahoma.
(b) Alternate strips of sorghums or Sudan grass and fallow.	35 cents per acre-----	Do.
(c) Alternate strips (equal width) of small grain or stubble and fallow.	50 cents per acre in fallow.	Idaho, Oregon, and Washington.
(d) Alternate strips (equal width and on the contour) of small grains or stubble and fallow.	75 cents per acre in fallow. \$1 for each new acre in fallow.	Idaho and Washington. Oregon.
(e) Establishment of strip cropping and fallow.	\$1 per acre of crops or fallow, whichever is smaller.	Colorado, Kansas, Montana, North Dakota, and Wyoming.
(f) Contour strip cropping and fallow.	\$1 per acre in strip crops.	New Mexico.
(g) Protected strip fallowing, wind and water erosion control, and weed control.	\$2 per acre in fallow----	Dry-land farms in Nebraska and South Dakota.
(28) Strip cropping-----	40 cents per acre-----	Do.
(29) Contour listing and fallow-----	\$1 per acre-----	Arizona, California, Colorado, Kansas, Montana, New Mexico, and North Dakota.
(30) Contour listing-----	25 cents per acre-----	Western Texas and Oklahoma.
(31) Wind erosion control-----	\$1 per acre-----	Oregon.

⁴ The rate varies with the fineness of the limestone used and the average cost of limestone in the area.

Exhibit 1.—APPROVED SOIL-BUILDING PRACTICES, ETC.—Continued

Practice	Rate of payment	Area in which practice is applicable
A. General farm practices—Continued.		
(32) Growing sorghums, Sudan grass or millet as cover crops to control wind erosion.	\$1 per acre	Western Texas and Oklahoma. Colorado, Kansas, and New Mexico
	\$2 per acre	
(33) Contour farming.....	25 cents per acre	Western Texas and Oklahoma. Kansas.
	50 cents per acre	
(34) Contour cultivation and strip cropping.	\$2 per acre	New York.
	do.....	Aroostook County, Maine.
(35) Contour listing of cropland in the process of natural reseeding to native pasture.	\$1 per acre	Kansas, Colorado.
(36) Restoration of land to native grass by natural reseeding.	25 cents per acre.....	Dry-land farms in Nebraska and South Dakota; western Texas and Oklahoma; all of Western region except Arizona and New Mexico.
(37) Restoration of noncrop plowable pastures by nongrazing for entire season.	40 cents per acre	North Central region.
(38) Reseeding pastures.....	15 cents per pound	California.
	20 cents per pound	All other States in Western region except Arizona and New Mexico.
(39) Contour furrowing pastures:		
(a) With dams at regular intervals in furrows.	50 cents per acre.....	Colorado, Kansas, Wyoming, and dry-land farms in Nebraska and South Dakota. California, Utah.
	5 cents per 100 linear feet not to exceed \$2 per acre.	
(b) Without dams in furrows.....	70 cents per acre occupied by furrows.	Southern region.
(40) Ridging pasture land	10 cents per 100 linear feet.	Do.
(41) Fall and winter listing.....	25 cents per acre.....	Colorado, Kansas, and Wyoming.
(42) Eradication of noxious perennial weeds:		
(a) Chemical treatment.....	\$10 per acre.....	All of Western region except Kansas and New Mexico.
(b) Periodic cultivation.....	\$5 per acre.....	All of Western region except Kansas.
(c) Flooding.....	do.....	California.
(43) Sod strips.....	\$2 per acre.....	New York and Aroostook County, Maine.
(44) Developing farm map and comprehensive farm conservation plan.	\$10 plus 5 cents per acre mapped, not to exceed \$25.	New Hampshire, Massachusetts, Connecticut, and New Jersey.
(45) Providing garden and milk cow to supply home consumption needs on a farm where the county committee finds that sufficient food has not been produced on farm.	\$10.....	Guilford County, N. C., and White County, Tenn. (experimental program counties).
(46) Border plantings.....	\$1 per acre planted.....	New Mexico.
B. Special orchard and vineyard practices:		
(1) Application of mulching materials in orchards:		
(a) Nonleguminous straw.....	50 cents per ton.....	California.
(b) Leguminous straw.....	75 cents per ton.....	Do.
(c) Miscellaneous materials.....	\$1 per ton.....	North Central region; Kansas, Colorado.
	\$2 per ton.....	
		East Central region; Northeast region except Pennsylvania, Oregon, Washington.
(2) Plowing or disking in winter cover crops:		
(a) Nonlegume.....	\$1 per acre.....	North Central region; Colorado, New Mexico, Arizona.
(b) Legume.....	\$2 per acre.....	Colorado.
(3) Seeding winter cover crops.....	\$1 per acre.....	North Central region.
(4) Soybeans, cowpeas, etc., used as green manure or cover crops in orchards.	\$2 per acre.....	North Central region; Colorado.
(5) Renovating nonproductive orchard land by removing trees and stumps, leveling and establishing soil-conserving crops.	\$5 per acre.....	California, Idaho, Oregon and Washington.
	\$10 per acre.....	New York and New Hampshire.
(6) Renovating nonproductive vineyards and establishing soil-conserving crops.	\$4 per acre.....	California.
	\$5 per acre.....	New York.
(7) Planting trees as a windbreak for orchards:		
(a) Single rows.....	25 cents per rod.....	California.
(b) Double rows.....	35 cents per rod.....	Do.

Exhibit 1.—APPROVED SOIL-BUILDING PRACTICES, ETC.—Continued

Practice	Rate of payment	Area in which practice is applicable
B. Special orchard and vineyard practices—Continued.		
(8) Perennial legumes plowed under.....	\$1 per acre.....	Utah and Nevada.
(9) Establishing leguminous cover crops in irrigated or subirrigated orchards.	\$2 per acre.....	Montana.
(10) Applying sand to cranberry bogs: ½ inch evenly distributed.....	\$7.50 per acre.....	New Hampshire, Massachusetts, and New Jersey.
¾ inch evenly distributed.....	\$11.25 per acre.....	Do.
1 inch evenly distributed.....	\$15 per acre.....	Do.
(11) Applying not less than 200 pounds of nitrate of soda (16 percent) to sod or cover crops interplanted in orchards or vineyards and leaving such sod or cover crops in their entirety on the land.	\$1 per acre.....	New York.
C. Special vegetable land practices:		
(1) Nonleguminous green manure crop on vegetable land.	-----do-----	North Central region; Kansas, Colorado, New Mexico, Arizona.
(2) Leguminous green manure crop on vegetable land.	\$2 per acre.....	North Central region; Colorado.
(3) Nonleguminous green manure crop replacing soil-depleting crop on vegetable land.	-----do-----	North Central and East Central regions.
(4) Leguminous green manure crop replacing soil-depleting crop on vegetable land.	\$4 per acre.....	Do.
(5) Nonleguminous green manure crop replacing vegetables on vegetable land.	\$3 per acre.....	Northeast region.
(6) Leguminous crop replacing vegetables on vegetable land.	\$5 per acre.....	Do.
D. Special range-land practices:		
(1) Natural reseeding of range land by—		
(a) Deferred grazing from beginning of vegetative growth until seed maturity.	¼ of range allowance for ¼ of range land. 35 cents per month per animal unit of grazing capacity of ranch. 30 cents per month..... 60 percent of range allowance for ¼ of range land.	Western range area of Texas and Oklahoma. Western region except Wyoming. Wyoming. Western range area of Nebraska and South Dakota.
(b) Limited grazing.....	50 percent of range allowance.	Do.
(2) Planting forest trees.....	\$10 per acre.....	Nebraska and South Dakota.
(3) Cultivating and maintaining stand of forest trees.	\$4 per acre.....	Do.
(4) Contour furrowing:		
(a) With dams at regular intervals in furrows.	50 cents per acre.....	Nebraska, South Dakota, and all States in western region except California and Nevada.
(b) Without dams in furrows.....	70 cents per acre occupied by furrows.	Western range area of Texas and Oklahoma.
(5) Construction of reservoirs and dams.	15 cents per cubic yard of fill or excavation.	All of western range area in 17 Western States.
(6) Development of springs or seeps....	\$50 per spring or seep.	All States in western region.
(7) Digging wells to promote more even distribution of grazing.	\$1 per foot of 4-inch pipe. 50 cents per foot of 2-inch pipe.	Do. North Dakota and Montana.
(8) Water spreading to prevent soil washing.	10 cents per 100 linear feet.	All States in western region and Texas and Oklahoma.
(9) Constructing fences where needed to carry out a range building practice.	30 cents per rod.....	All States in western region and western range area of Texas and Oklahoma.
(10) Reseeding range land.....	15 cents per pound..... 20 cents per pound.....	California. All States in western region except Oregon.
(11) Rodent control:	\$1 per acre.....	Oregon.
(a) Prairie dogs.....	7½ cents per acre.....	Texas, Oklahoma, Arizona, Colorado, Kansas, Nevada, Montana, Utah, and Wyoming.
(b) Ground squirrels.....	6 cents per acre.....	Arizona, Colorado, Idaho, Nevada, New Mexico, Oregon, Washington, Montana, Utah, and Wyoming.
(c) Pocket gophers.....	15 cents per acre.....	Arizona, Colorado, Idaho, Nevada, New Mexico, Oregon, Washington, Utah, and Wyoming.
(d) Kangaroo rats.....	5 cents per acre.....	Texas and Oklahoma.

Exhibit 1.—APPROVED SOIL-BUILDING PRACTICES, ETC.—Continued

Practice	Rate of payment	Area in which practice is applicable
D. Special range land practices—Contd.		
(12) Railing sagebrush.....	50 cents per acre.....	Idaho.
(13) Installing remote tanks or troughs to promote more even distribution of grazing.....	\$25 each.....	California.
(14) Spreader dams.....	15 cents per cubic yard.....	Texas and Oklahoma.
(15) Spreader terraces.....	40 cents per 100 linear feet.....	Do.
(16) Rescuing range land from—		
(a) Prickly pear and cactus:		
Light infestation.....	50 cents per acre.....	Western range area of Texas and Oklahoma.
Medium infestation.....	75 cents per acre.....	Do.
Heavy infestation.....	\$1 per acre.....	Do.
(b) Mesquite:		
Light infestation.....	50 cents per acre.....	Do.
Medium infestation.....	\$1 per acre.....	Do.
Heavy infestation.....	\$2 per acre.....	Do.
(c) Cedar:		
Light infestation.....	75 cents per acre.....	Do.
Medium infestation.....	\$1 per acre.....	Do.
Heavy infestation.....	\$1.50 per acre.....	Do.
(d) Lechuquilla: Heavy infestation.....	50 cents per acre.....	Do.

Exhibit 2.—SCHEDULE OF SOIL-BUILDING PRACTICES APPROVED UNDER 1938 AGRICULTURAL CONSERVATION PROGRAM

A. Each of the following practices in the amounts specified shall be counted as one unit: *Provided*, That when the materials specified in items 1, 2, or 3 are applied to biennial or perennial legumes, perennial grasses, winter legumes, lespedeza, crotalaria, or Natal grass seeded or grown in connection with a soil-depleting crop, only such proportionate part, if any, of the material applied shall be counted as is specified by the Agricultural Adjustment Administration.

1. Application of 300 pounds of 16-percent superphosphate (or its equivalent) to, or in connection with the seeding of, perennial or biennial legumes, perennial grasses, winter legumes, lespedeza, crotalaria, Natal grass, or permanent pasture.

2. Application of 200 pounds of 50-percent muriate of potash (or its equivalent) to, or in connection with the seeding of, perennial or biennial legumes, perennial grasses, winter legumes, lespedeza, crotalaria, Natal grass, or permanent pasture.

3. Application of 500 pounds of basic slag or rock phosphate to, or in connection with the seeding of, perennial or biennial legumes, perennial grasses, winter legumes, lespedeza, crotalaria, Natal grass, or permanent pasture.

4. Application of 300 pounds of gypsum containing 18-percent sulphur (or its sulphur equivalent).

5. Construction of 200 linear feet of standard terrace for which proper outlets are provided.

6. Construction of reservoirs and dams—15 cubic yards of material moved in making the fill or excavation.

7. Reseeding depleted pastures with good seed of adapted pasture grasses or legumes—10 pounds of seed.

8. Contour ridging of noncrop open pasture land—750 linear feet of ridge or terrace.

9. Application of 1 ton, air dry weight, of straw or equivalent mulching material, excluding barnyard and stable manure, in commercial orchards or on commercial vegetable land in areas designated by the regional director as areas in which straw normally costs more than \$5 per short ton.

10. Application of not less than 2 tons, air dry weight, of straw or equivalent mulching materials, excluding barnyard and stable manure, per acre in commercial orchards or on commercial vegetable land.

11. Application of the following quantities of ground limestone or its equivalent in areas designated by the regional director as areas in which the average cost of ground limestone to farmers is:

(a) Not more than \$2.50 per ton-----	2,000 lb.
(b) More than \$2.50 but not more than \$3.50 per ton-----	1,500 lb.
(c) More than \$3.50 but not more than \$5 per ton-----	1,000 lb.
(d) More than \$5 per ton-----	800 lb.

12. Application of 1,000 pounds of finely ground limestone (at least 90 percent to pass through a 30-mesh sieve and all finer particles obtained in the grinding process to be included), except to peanuts and commercial vegetables, such limestone to be applied at the rate of not less than 500 pounds nor more than 1,000 pounds per acre.

13. Restoration of noncrop open pasture by nongrazing during the normal pasture season on an acreage equal to one-half of the number of acres of such pasture required to carry one animal unit for a 12-month period.

B. Each acre of the following shall be counted as one unit:

1. Seeding biennial legumes, perennial legumes, perennial grasses (other than timothy or redtop) or mixtures (other than a mixture consisting solely of timothy and redtop) containing perennial grasses, perennial legumes, or biennial legumes (except alfalfa and permanent pasture mixtures qualifying under practice No. 1 of subsection C of this section XIV).

2. Seeding winter legumes, annual lespedeza, annual ryegrass, crotalaria, sesbania, or annual sweetclover.

3. Green manure crops and cover crops (excluding (1) lespedeza, (2) any crop for which credit is given in 1938 under any other practice, (3) wheat on nonirrigated land except in humid areas designated by the Agricultural Adjustment Administration, and (4) such other crops as may be determined as not qualifiable for any area by the Agricultural Adjustment Administration) of which a good stand and good growth is (1) plowed or disked under on land not subject to erosion, or if subject to erosion, such crop is followed by a winter cover crop, or (2) left on land subject to erosion or in orchards or on commercial vegetable or potato land, or on such other land as is designated by the Agricultural Adjustment Administration.

C. Each acre of the following shall be counted as two units:

1. Seeding hardy northern-grown domestic or Canadian alfalfa (applicable only in the Northeast Region).

2. Seeding permanent pasture mixtures containing a full seeding of legumes or grasses, or both, other than timothy and redtop (applicable only in the Northeast Region and on class B farms in the Southern Region).

3. Cultivating, protecting, and maintaining by replanting, if necessary, a good stand of forest trees, planted between January 1, 1934, and January 1, 1938.

4. With prior approval of the county committee improving a stand of forest trees under such approved system of farm woodlot management as is specified by the Agricultural Adjustment Administration.

5. Establishment of permanent vegetative cover by planting sod pieces of perennial grasses.

6. Green manure crops of which a good stand and a good growth is plowed or disked under (applicable only to class B farms in the Western, East Central, and Southern Regions on which the average acreage of land on which commercial vegetables were grown in 1936 and 1937 exceeds 50 percent of the acreage of cropland in the farm in excess of the sum of the potato, tobacco, cotton, and peanut acreage allotments established for the farm).

D. Each acre of the following shall be counted as five units:

1. Planting forest trees (including shrubs in protective plantings) provided such trees are protected and cultivated in accordance with good tree culture practice.

2. Control of seriously infested plots of perennial noxious weeds, designated by the Agricultural Adjustment Administration, on cropland in organized weed-control districts, in accordance with good chemical or tillage methods.

3. Applying sand free from stones or loam to a depth of at least one-half inch on fruiting cranberry bogs.

E. Each 2 acres of the following shall be counted as one unit:

1. Summer legumes not classified as soil-depleting (interplanted or grown in combination with soil-depleting crops) of which a good stand and a good growth is left on the land or plowed or disced under.

2. Renovation of perennial legumes and mixtures of perennial grasses and legumes.

3. Seeding timothy or redtop or a mixture consisting solely of timothy and redtop.

4. Protecting muck land subject to serious wind erosion by establishing or maintaining approved shrub windbreaks.

F. Each 4 acres of the following shall be counted as one unit:

1. Leaving on the land as a protection against wind erosion (only in wind-erosion areas, which will be designated by the regional director) the stalks of sorghums or Sudan grass, classified as soil-depleting, where it is determined by the county committee that such cover is necessary as a protection against wind erosion and the operator's farming plan provides that such cover will be left on the land until the spring of 1939.

2. Restoration of farm wood lots, normally overgrazed, by nongrazing during the normal pasture season. Credit will not be allowed for more than 2 acres of woodland for each animal unit normally grazed on such woodland.

3. Contour listing or furrowing noncrop land.

4. Strip cropping other than for protection of summer-fallowed acreage.

5. Protecting summer-fallowed acreage from wind and water erosion by contour or basin listing, strip cropping, or incorporating small-grain stubble and straw into the surface soil. No credit will be given for this practice on any farm when carried out on light sandy soils or on soils in any area where destruction of the vegetative cover has resulted in the land becoming subject to serious wind erosion.

G. Each 6 acres of the following shall be counted as one unit:

1. Controlling soil erosion by contour cultivation of intertilled crops (applicable only in the Northeast Region).

H. Each 8 acres of the following shall be counted as one unit:

1. Contour farming intertilled crops.

2. Contour listing or basin listing on the contour. No credit will be given for this practice when carried out on protected summer-fallowed acreage or as a part of the seeding operation.

I. Each 10 acres of the following shall be counted as one unit:

1. Contour seeding of small-grain crops.

2. Basin listing (not on the contour). No credit will be given for this practice when carried out on protected summer-fallowed acreage or as a part of the seeding operation.

3. Natural vegetative cover or small-grain stubble of crops harvested in 1938 left on cropland not tilled after July 1, 1938, where it is determined by the county committee that such cover is necessary as a protection against wind erosion and the operator's farming plan provides that such cover will be left on the land until the spring of 1939 (applicable only in wind-erosion areas in Texas, Oklahoma, Kansas, Colorado, and New Mexico, such areas to be designated by the Agricultural Adjustment Administration).

Appendix B.—DATA ON DIVERSION AND ON SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE 1936 AGRICULTURAL CONSERVATION PROGRAM

Exhibit 3.—DIVERTED ACREAGES WITH RESPECT TO WHICH PAYMENTS WERE MADE UNDER THE 1936 AGRICULTURAL CONSERVATION PROGRAM, BY STATES AND REGIONS

State and region	General	Cotton	Tobacco	Peanuts	Total
Northeast Region:					
Maine.....	9,756				9,756
New Hampshire.....	1,721		17		1,738
Vermont.....	6,982		27		7,009
Massachusetts.....	2,616		1,427		4,043
Rhode Island.....	228				228
Connecticut.....	3,372		3,462		6,834
New York.....	133,522		258		133,780
New Jersey.....	11,287				11,287
Pennsylvania.....	110,940		6,472		117,412
Total.....	280,424		11,663		292,087
North Central Region:					
Ohio.....	448,737		10,854		459,591
Indiana.....	747,503		3,267		750,770
Illinois.....	1,112,427	495	4		1,112,926
Michigan.....	380,965				380,965
Wisconsin.....	773,538		8,534		782,072
Missouri.....	1,222,734	84,767	1,839		1,309,340
South Dakota.....	2,012,295				2,012,295
Minnesota.....	1,630,032		293		1,630,325
Iowa.....	1,871,914				1,871,914
Nebraska.....	1,688,874				1,688,874
Total.....	11,889,019	85,262	24,791		11,999,072
East Central Region:					
Delaware.....	21,434				21,434
Maryland.....	64,275		2,819		67,094
Virginia.....	116,812	17,607	22,118	12,683	169,220
West Virginia.....	37,162		919		38,081
North Carolina.....	66,041	382,849	137,887	18,435	605,212
Kentucky.....	338,934	6,464	126,259	1	471,658
Tennessee.....	241,900	307,854	35,589	873	586,216
Total.....	886,558	714,774	325,591	31,992	1,958,915
Southern Region:					
South Carolina.....	6,718	538,241	17,189	683	362,831
Georgia.....	4,091	894,851	11,526	51,050	961,518
Florida.....	13,467	34,292	1,823	5,751	55,333
Alabama.....	5,404	941,351	61	24,453	971,269
Mississippi.....	1,154	960,155			967,309
Louisiana.....	196	443,740			443,936
Arkansas.....	48,029	807,490		12	855,531
Oklahoma.....	871,419	875,121		5,622	1,752,162
Texas.....	1,245,478	3,077,833		14,244	4,337,555
Total.....	2,195,956	8,579,074	30,599	101,815	10,907,444
Western Region:					
Arizona.....	14,517	38,416			52,933
California.....	155,165	31,177			186,342
Colorado.....	473,194				473,194
Idaho.....	169,644				169,644
Kansas.....	1,933,935	162	64		1,934,161
Nevada.....	5,325				5,325
New Mexico.....	194,897	29,807			224,704
North Dakota.....	2,419,620				2,419,620
Oregon.....	152,999				152,999
Washington.....	220,810				220,810
Montana.....	643,431				643,431
Utah.....	46,794				46,794
Wyoming.....	78,080				78,080
Total.....	6,508,411	99,562	64		6,608,037
Grand total.....	21,760,368	9,478,672	392,708	133,807	31,765,555

Exhibit 4.—NUMBER OF APPLICATIONS FILED, ACREAGE OF CROPLAND COVERED, TOTAL CROPLAND ACREAGE, AND PERCENTAGE OF CROPLAND COVERED, 1936 AGRICULTURAL CONSERVATION PROGRAM, BY STATES AND REGIONS

State and region	Number of applications for payment	Cropland acreage on applications	Total cropland acreage in State ¹	Percentage of cropland covered
Northeast Region:	<i>Number</i>	<i>Acres</i>	<i>Acres</i>	<i>Percent</i>
Maine.....	6,588	440,737	1,476,422	29.9
New Hampshire.....	2,763	132,414	469,076	28.2
Vermont.....	5,702	398,000	1,162,726	34.2
Massachusetts.....	2,998	137,308	635,548	21.6
Rhode Island.....	142	8,495	81,554	10.4
Connecticut.....	3,582	161,906	563,359	28.7
New York.....	35,466	2,883,386	8,850,247	32.6
New Jersey.....	3,795	335,478	1,105,579	30.3
Pennsylvania.....	37,801	2,555,348	8,298,581	30.8
Total.....	98,837	7,053,072	22,643,131	31.1
North Central Region:				
Ohio.....	126,725	8,091,417	12,875,572	62.8
Indiana.....	114,905	8,476,960	13,523,837	62.7
Illinois.....	137,474	13,192,834	23,078,768	57.2
Michigan.....	112,508	7,350,939	10,731,946	68.5
Wisconsin.....	156,808	10,073,283	11,578,447	87.0
Missouri.....	161,429	11,226,429	16,054,617	69.9
South Dakota.....	89,374	14,779,778	16,842,968	87.8
Minnesota.....	127,994	14,119,128	19,469,395	72.5
Iowa.....	154,519	17,593,627	24,228,896	72.6
Nebraska.....	106,255	14,691,809	20,446,092	71.9
Total.....	1,287,991	119,596,204	168,830,538	70.8
East Central Region:				
Delaware.....	3,091	275,200	543,864	50.6
Maryland.....	13,274	1,328,933	2,296,577	57.9
Virginia.....	46,105	3,002,164	6,087,590	49.3
West Virginia.....	15,358	683,000	2,159,891	31.6
North Carolina.....	108,316	4,969,000	7,458,914	66.6
Kentucky.....	109,258	8,215,794	8,852,021	92.8
Tennessee.....	87,346	6,220,977	8,684,116	71.6
Total.....	382,748	24,695,068	36,082,973	68.4
Southern Region:				
South Carolina.....	71,761	4,004,037	5,309,887	75.4
Georgia.....	103,300	7,598,914	10,890,102	69.8
Florida.....	20,619	1,240,535	2,181,676	56.9
Alabama.....	128,731	6,635,430	8,448,182	78.5
Mississippi.....	83,215	6,087,720	7,743,426	78.6
Louisiana.....	64,651	3,373,426	4,924,636	68.5
Arkansas.....	98,355	6,700,478	8,115,013	82.6
Oklahoma.....	98,250	10,332,404	17,172,008	60.2
Texas.....	198,430	23,914,969	35,924,410	66.6
Total.....	867,312	69,887,913	100,709,340	69.4
Western Region:				
Arizona.....	2,453	350,814	688,267	51.0
California.....	20,597	3,827,004	10,166,257	37.6
Colorado.....	29,143	5,078,387	9,021,851	56.3
Idaho.....	18,879	2,051,229	3,851,229	53.3
Kansas.....	99,506	16,309,064	29,094,095	56.1
Nevada.....	1,270	224,800	462,312	48.6
New Mexico.....	13,325	1,631,539	2,473,229	66.0
North Dakota.....	110,777	21,880,869	24,894,570	87.9
Oregon.....	13,305	1,769,251	4,020,562	44.0
Washington.....	15,639	2,599,595	6,131,887	42.4
Montana.....	31,296	7,660,942	10,714,720	71.5
Utah.....	14,658	1,017,047	1,374,477	74.0
Wyoming.....	6,482	971,056	2,257,282	43.0
Total.....	377,330	65,371,597	105,150,738	62.2
Grand Total.....	3,014,218	286,603,854	433,416,720	66.1

¹ Includes estimated acreages of rotation pasture classified as cropland under the 1936 Agricultural Conservation Program.

**Exhibit 6.—ACREAGE OF TERRACING, LISTING, CONTROLLED SUM-
RIED OUT UNDER THE 1936 AGRICULTURAL CONSERVATION PRO-
GRAM, BY STATES AND REGIONS**

State and region	Seeding legumes and mixtures ¹	Seeding perennial grasses for pasture estab- lishment ²	Growing green manure and cover crops ³	Planting forest trees
	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
Northeast Region:				
Maine.....	61,877		3,623	16
New Hampshire.....	12,678		525	85
Vermont.....	47,109			154
Massachusetts.....	4,634		7,343	53
Rhode Island.....	337	33	827	27
Connecticut.....	7,625		10,479	868
New York.....		2,781	44,988	45
New Jersey.....	29,451		69,863	606
Pennsylvania.....	510,698		21,539	
Total.....	674,409	2,814	159,187	1,854
North Central Region:				
Ohio.....	1,815,704	4,332	39,078	152
Indiana.....	1,794,633	26,484	82,770	56
Illinois.....	2,163,733	120,699	213,593	41
Michigan.....	1,298,755	1,613	33,731	159
Wisconsin.....	2,034,501	17,440	15,333	315
Missouri.....	1,818,191	175,446	77,822	35
South Dakota.....	826,028	26,457	98	2,522
Minnesota.....	2,176,292	45,904	14,650	996
Iowa.....	3,605,011	7,782	44,900	140
Nebraska.....	1,084,364	45,074	842	6,465
Total.....	18,617,212	471,231	522,817	10,881
East Central Region:				
Delaware.....	53,239	312	17,354	13
Maryland.....	299,469	7,763	32,735	70
Virginia.....	525,848	43,091	109,396	370
West Virginia.....	92,105	15,434	13,856	72
North Carolina.....	465,571	19,115	535,289	395
Kentucky.....	1,461,261	561,577	134,981	267
Tennessee.....	1,230,142	108,706	205,816	726
Total.....	4,127,635	755,998	1,049,427	1,913
Southern Region:				
South Carolina.....	94,382	4,746	610,930	1,030
Georgia.....	117,460	8,754	1,291,324	4,332
Florida.....	5,218	1,722	505,216	1,329
Alabama.....	348,791	20,978	1,194,743	521
Mississippi.....	468,996	11,594	1,196,109	1,583
Louisiana.....	108,109	21,196	662,100	138
Arkansas.....	397,240	47,834	799,343	144
Oklahoma.....	284,870	24,073	899,394	967
Texas.....	109,319	169,117	3,592,433	5,177
Total.....	1,934,385	310,014	10,751,592	15,221
Western Region:				
Arizona.....	39,637		7,813	
California.....	163,345	7,209	154,718	119
Colorado.....	219,239	3,840	61,351	90
Idaho.....	223,162	15,046	73,209	7
Kansas.....	407,466	28,112	253,843	577
Nevada.....	17,037	735	540	
New Mexico.....	44,897		169,155	
North Dakota.....	1,339,341	58,901	1,024	854
Oregon.....	137,895	46,313	83,892	13
Washington.....	103,013	35,187	92,111	2
Montana.....	272,114	42,193	305,235	130
Utah.....	84,652	1,013	844	3
Wyoming.....	109,962	3,044	569	94
Total.....	3,161,760	241,593	1,204,304	1,889
Grand total.....	28,515,401	1,781,650	13,687,327	31,758

¹ Includes annual legumes and nonclassified legumes and grasses in the western region; excludes in most cases, legumes for green manure.

² Includes some grass and legume mixtures.

³ Includes summer legumes left on the land and green-manure crops grown in orchards.

Exhibit 6.—ACREAGE OF TERRACING, LISTING, CONTROLLED SUMMER FALLOWING, AND MISCELLANEOUS PRACTICES CARRIED OUT UNDER THE 1936 AGRICULTURAL CONSERVATION PROGRAM, BY STATES AND REGIONS

State and region	Terracing	Listing	Controlled summer fallowing	Miscellaneous practices
	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
Northeast Region:				
New York.....				¹ 37
Total.....				¹ 37
North Central Region:				
Indiana.....	491		3	
Missouri.....	12, 378			
South Dakota.....			240, 043	² 4, 638
Nebraska.....	1, 273		44, 244	² 44, 291
Total.....	14, 142		284, 290	² 48, 929
East Central Region:				
Maryland.....	25			³ 24
Virginia.....	5, 231			³ 244
North Carolina.....	26, 485			³ 770
Kentucky.....	8, 584			
Tennessee.....	63, 150			
Total.....	103, 475			³ 1, 038
Southern Region:				
South Carolina.....	30, 847			
Georgia.....	45, 335			
Florida.....	6, 641			
Alabama.....	130, 982			
Mississippi.....	28, 648			
Louisiana.....	6, 830			
Arkansas.....	33, 450			
Oklahoma.....	84, 093	382, 873		
Texas.....	225, 133	795, 082		
Total.....	591, 959	1, 177, 955		
Western Region:				
Arizona.....	3, 433		37, 236	⁴ 5 569
California.....	948		856, 797	⁴ 6 12, 454
Colorado.....	2, 211	99, 347	67, 876	
Idaho.....			62, 114	⁴ 5, 802
Kansas.....	9, 124		226, 198	
Nevada.....			1, 452	⁴ 845
New Mexico.....	3, 088		9	
North Dakota.....			713, 126	
Oregon.....			115, 423	⁴ 6, 197
Washington.....			538, 962	⁴ 8, 359
Montana.....	127		505, 876	⁷ 7, 419
Utah.....	26		158, 066	⁴ 6 2, 502
Wyoming.....	58	3, 458	17, 488	
Total.....	19, 015	102, 805	3, 200, 623	44, 147
Grand total.....	728, 591	1, 280, 760	3, 584, 913	94, 151

¹ Windbreaks.² Rye grown as nurse crop.³ Subsoiling.⁴ Weed control.⁵ Leaching.⁶ Gully control.⁷ Diking for flood diversion

Exhibit 7.—ACREAGES ON WHICH SPECIFIED FERTILIZERS AND LIME WERE APPLIED UNDER THE 1936 AGRICULTURAL CONSERVATION PROGRAM, BY STATES AND REGIONS

State and region	Fertilizer and lime applications		
	Limestone only	Phosphates only (including basic slag)	Other fertilizers
Northeast Region:	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
Maine.....	29,683	4,927	2,166
New Hampshire.....	4,291	6,514	3,617
Vermont.....	9,154	27,438	8,122
Massachusetts.....	5,569	11,980	8,008
Rhode Island.....	634	1,393	480
Connecticut.....	10,644	10,164	7,625
New York.....	128,648	269,333	10,503
New Jersey.....	16,607	22,346	12,600
Pennsylvania.....	140,330	141,848	3,642
Total.....	345,560	494,943	56,763
North Central Region:			
Ohio.....	143,916	3,271	77
Indiana.....	131,600	1,697	225
Illinois.....	256,032	5,278	-----
Michigan.....	98,345	4,638	-----
Wisconsin.....	220,787	8,248	1,562
Missouri.....	96,289	15,002	4
South Dakota.....	-----	-----	-----
Minnesota.....	18,841	460	1,193
Iowa.....	155,149	893	22
Nebraska.....	115	-----	-----
Total.....	1,121,074	39,487	3,083
East Central Region:			
Delaware.....	3,974	663	662
Maryland.....	74,210	12,275	2,259
Virginia.....	133,598	130,683	7,836
West Virginia.....	37,489	34,341	-----
North Carolina.....	26,334	11,257	5,109
Kentucky.....	333,517	150,031	-----
Tennessee.....	105,742	44,109	-----
Total.....	714,864	383,359	15,866
Southern Region:			
South Carolina.....	1,139	2,904	-----
Georgia.....	3,187	8,128	35
Florida.....	4,460	28,760	10,470
Alabama.....	4,461	46,477	524
Mississippi.....	5,337	-----	-----
Louisiana.....	685	139	-----
Arkansas.....	3,340	-----	-----
Oklahoma.....	526	1,079	-----
Texas.....	-----	5,630	-----
Total.....	23,135	93,117	11,029
Western Region:			
Arizona.....	-----	-----	-----
California.....	-----	-----	-----
Colorado.....	-----	-----	-----
Idaho.....	-----	-----	-----
Kansas.....	3,944	-----	-----
Nevada.....	-----	-----	-----
New Mexico.....	-----	-----	-----
North Dakota.....	-----	-----	-----
Oregon.....	1,634	-----	-----
Washington.....	-----	-----	-----
Montana.....	-----	-----	-----
Utah.....	-----	-----	-----
Wyoming.....	-----	-----	-----
Total.....	5,578	-----	-----
Grand total.....	2,210,211	1,010,906	86,741

Exhibit 8.—RANGE-BUILDING PRACTICES CARRIED OUT ON LIVESTOCK RANCHES PARTICIPATING IN THE 1936 RANGE PROGRAM IN THE WESTERN REGION, BY STATES

State	Con- tour- ing	Spring or seep	Pits or reservoirs	Wells	Water spreading	Fences	Reseed- ing	Rodent control	Fire guards	Rail- ing sage- brush
	<i>Acres</i>	<i>Linear feet</i>	<i>Cubic yards</i>	<i>Linear feet</i>	<i>Linear feet</i>	<i>Rods</i>	<i>Acres</i>	<i>Acres</i>	<i>Linear feet</i>	<i>Acres</i>
Arizona.....	75	72	389,537	3,929	26,000	157,940	-----	-----	79,000	-----
California.....	75	1,702	260,775	7,161	-----	209,473	-----	-----	-----	403
Colorado.....	5,947	430	207,580	12,731	678,134	154,694	1,130	-----	-----	174
Idaho.....	-----	859	30,098	1,096	-----	52,766	3,214	-----	-----	-----
Kansas.....	-----	-----	454,290	14,863	346,164	-----	-----	-----	-----	-----
Montana.....	657	1,405	861,749	11,455	253,221	215,608	9,294	-----	97,449	-----
Nevada.....	-----	15	320	-----	-----	2,181	208	-----	-----	-----
New Mexico.....	4,466	214	2,067,042	42,307	89,056	1,134,229	-----	135,598	356,400	-----
North Dakota.....	-----	468	157,850	5,417	-----	115,786	2,131	-----	-----	-----
Oregon.....	-----	1,658	36,747	2,398	463,788	178,591	17,604	687	1,333	-----
Utah.....	-----	67	23,039	653	-----	19,696	1,065	-----	-----	567
Washington.....	193	617	45,958	484	5,715	86,910	622	-----	31,680	-----
Wyoming.....	678	930	695,166	27,063	37,985	196,758	1,579	-----	-----	-----
Total.....	12,016	8,437	5,230,151	129,557	1,900,063	2,524,632	36,847	136,285	565,862	1,144

Appendix C.—DATA ON DIVERSION AND ON SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE 1937 AGRICULTURAL CONSERVATION PROGRAM (PRELIMINARY)

Exhibit 9.—DIVERTED ACREAGES WITH RESPECT TO WHICH PAYMENTS WERE MADE UNDER THE 1937 AGRICULTURAL CONSERVATION PROGRAM, BY STATES AND REGIONS (PRELIMINARY)

State and region	Acres diverted for payment				
	General	Cotton	Tobacco	Peanuts	Total
Northeast Region:					
Maine.....	19, 635				19, 635
New Hampshire.....			2		2
Vermont.....			2		2
Massachusetts.....			803		803
Connecticut.....			1, 527		1, 527
New York.....			145		145
Pennsylvania.....	29, 795		2, 159		31, 994
Total.....	49, 430		4, 678		54, 108
North Central Region:					
Ohio.....	278, 000		3, 900		281, 900
Indiana.....	323, 278		829		324, 107
Illinois.....	500, 000	300			500, 300
Michigan.....	321, 353				321, 353
Wisconsin.....	514, 131		5, 100		519, 231
Missouri.....	1, 128, 947	32, 401	998		1, 162, 346
South Dakota.....	1, 682, 637				1, 682, 637
Minnesota.....	1, 195, 713		53		1, 195, 766
Iowa.....	1, 126, 503				1, 126, 500
Nebraska.....	1, 173, 040				1, 173, 043
Total.....	8, 243, 602	32, 701	10, 880		8, 287, 183
East Central Region:					
Delaware.....	23, 510				23, 510
Maryland.....	52, 973		3, 346		56, 319
Virginia.....	122, 677	14, 240	18, 901	7, 250	163, 068
West Virginia.....	42, 583		743		43, 326
North Carolina.....	54, 589	310, 766	97, 539	12, 303	475, 197
Kentucky.....	340, 285	5, 507	98, 559		444, 351
Tennessee.....	225, 954	242, 333	25, 819	665	494, 771
Total.....	862, 571	572, 846	244, 907	20, 218	1, 700, 542
Southern Region:					
South Carolina.....	36, 000	431, 000	5, 200	200	472, 400
Georgia.....	4, 500	646, 000	11, 200	30, 400	692, 100
Florida.....	33, 000	17, 800	1, 100	3, 200	55, 100
Alabama.....	20, 000	773, 000	33	18, 000	811, 033
Mississippi.....	600	755, 000			755, 600
Louisiana.....	5, 500	388, 000			393, 500
Arkansas.....	135, 000	704, 000			839, 000
Oklahoma.....	789, 000	695, 000		2, 800	1, 486, 800
Texas.....	1, 359, 000	2, 762, 000		17, 000	4, 138, 000
Total.....	2, 382, 600	7, 171, 800	17, 533	71, 600	9, 643, 533
Western Region:					
Arizona.....	14, 629	31, 580			46, 209
California.....	166, 557	18, 938			185, 495
Colorado.....	734, 117				734, 117
Idaho.....	134, 976				134, 976
Kansas.....	1, 754, 356	153	20		1, 754, 529
Nevada.....	3, 103				3, 103
New Mexico.....	161, 123	17, 475			178, 598
North Dakota.....	2, 172, 756				2, 172, 756
Oregon.....	194, 370				194, 370
Washington.....	161, 313				161, 313
Montana.....	952, 805				952, 805
Utah.....	47, 801				47, 801
Wyoming.....	111, 100				111, 100
Total.....	6, 609, 006	68, 146	20		6, 677, 172
Grand total.....	18, 147, 209	7, 845, 493	278, 018	91, 818	26, 362, 538

**Exhibit 10.—SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE
1937 AGRICULTURAL CONSERVATION PROGRAM, BY STATES AND
REGIONS (PRELIMINARY)**

State and region	New seedlings					Total
	Alfalfa ¹	Winter legumes	Lespedeza and other summer legumes	Other legumes and legume mixtures	Perennial grasses	
	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
Northeast Region:						
Maine.....	-----	-----	-----	86,344	-----	86,344
New Hampshire.....	1,610	-----	-----	16,826	-----	18,436
Vermont.....	5,946	-----	-----	9,219	-----	15,165
Massachusetts.....	2,252	-----	-----	11,989	-----	14,241
Rhode Island.....	257	-----	-----	1,071	-----	1,328
Connecticut.....	2,907	-----	-----	6,771	-----	9,678
New York.....	73,992	-----	-----	337,346	-----	411,338
New Jersey.....	26,915	-----	-----	54,619	-----	81,534
Pennsylvania.....	112,924	-----	-----	423,439	-----	536,363
Total.....	226,803	-----	-----	947,624	-----	1,174,427
North Central Region:						
Ohio.....	239,400	-----	-----	1,358,200	375,700	1,973,300
Indiana.....	161,699	-----	-----	822,751	246,244	1,230,694
Illinois.....	140,000	-----	-----	1,064,000	275,975	1,479,975
Michigan.....	451,096	-----	-----	636,133	36,734	1,123,963
Wisconsin.....	663,426	-----	-----	1,345,969	199,459	2,208,854
Missouri.....	93,648	-----	-----	982,743	1,286,863	2,363,254
South Dakota.....	145,583	-----	-----	315,015	34,838	495,436
Minnesota.....	344,489	-----	-----	1,396,323	132,825	1,873,637
Iowa.....	298,338	-----	-----	1,821,970	320,295	2,440,603
Nebraska.....	259,792	-----	-----	419,080	38,110	716,982
Total.....	2,797,471	-----	-----	10,162,184	2,947,043	15,906,698
East Central Region:						
Delaware.....	1,247	39,951	11,780	62,528	116	115,622
Maryland.....	14,775	28,056	28,101	385,500	854	457,286
Virginia.....	16,387	59,712	189,378	350,457	5,582	621,516
West Virginia.....	12,353	8,252	10,522	190,410	3,544	225,081
North Carolina.....	1,609	94,037	386,562	68,998	1,785	552,991
Kentucky.....	64,263	24,978	843,317	1,047,642	168,066	2,148,266
Tennessee.....	23,160	148,426	843,656	322,683	13,580	1,351,505
Total.....	133,794	403,412	2,313,316	2,428,218	193,527	5,472,267
Southern Region:						
South Carolina.....	800	50,000	-----	-----	2,000	52,800
Georgia.....	3,100	223,000	-----	-----	14,000	240,100
Florida.....	20	4,700	-----	-----	28,000	32,720
Alabama.....	2,000	425,000	-----	-----	28,000	455,000
Mississippi.....	16,500	718,000	-----	-----	30,000	764,500
Louisiana.....	8,500	238,000	-----	-----	34,000	280,500
Arkansas.....	25,000	783,000	-----	-----	84,000	892,000
Oklahoma.....	79,000	107,000	-----	-----	74,500	260,500
Texas.....	35,000	150,000	-----	-----	204,000	389,000
Total.....	169,920	2,698,700	-----	-----	498,500	3,367,120
Western Region:						
Arizona.....	36,603	-----	-----	6,874	60	43,537
California.....	183,558	-----	-----	11,685	6,500	201,743
Colorado.....	163,846	-----	-----	69,079	3,613	236,538
Idaho.....	140,156	-----	-----	30,743	5,414	176,313
Kansas.....	108,114	-----	-----	168,948	13,702	290,764
Nevada.....	14,106	-----	-----	2,468	666	17,240
New Mexico.....	25,905	-----	-----	8,816	1,460	36,181
North Dakota.....	85,940	-----	-----	808,405	89,336	983,681
Oregon.....	112,260	-----	-----	72,106	37,372	221,738
Washington.....	72,822	-----	-----	51,526	10,166	134,514
Montana.....	224,215	-----	-----	226,398	140,363	590,976
Utah.....	79,937	-----	-----	13,570	878	94,385
Wyoming.....	73,087	-----	-----	39,982	10,679	123,748
Total.....	1,320,549	-----	-----	1,510,600	320,209	3,151,358
United States total.....	4,648,537	3,102,112	2,313,316	15,048,626	3,959,279	29,071,870

¹ Includes Kudzu in Southern Region and all perennial legumes in Western Region.

Exhibit 10.—SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE
1937 AGRICULTURAL CONSERVATION PROGRAM, ETC.—Continued

State and region	Green manure and cover crops					Mulching orchards
	Summer legumes	Winter legumes	On orchard and commercial vegetable land	Other and unclassified	Total	
	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
Northeast Region:						
Maine.....				16,831	16,831	400
New Hampshire.....				1,071	1,071	200
Vermont.....				260	260	200
Massachusetts.....				11,047	11,047	700
Rhode Island.....				2,900	2,900	-----
Connecticut.....				18,542	18,542	200
New York.....				95,231	95,231	20,000
New Jersey.....				163,042	163,042	8,000
Pennsylvania.....				57,722	57,722	3,000
Total.....				366,646	366,646	32,700
North Central Region:						
Ohio.....			7,300		7,300	3,900
Indiana.....			789		789	707
Illinois.....			2,990		2,990	750
Michigan.....			45,919		45,919	2,162
Wisconsin.....			3,386		3,386	802
Missouri.....			587		587	379
South Dakota.....						-----
Minnesota.....			105		105	-----
Iowa.....			252		252	100
Nebraska.....						-----
Total.....			61,328		61,328	8,800
East Central Region:						
Delaware.....	8,661	18,344	521	8,432	35,958	-----
Maryland.....	19,913	17,676	5,554	23,320	66,463	52
Virginia.....	119,754	27,555	6,569	69,372	223,250	200
West Virginia.....	8,070	3,550	8,472	6,750	26,842	909
North Carolina.....	795,674	33,124	2,338	118,781	949,917	26
Kentucky.....	192,973	6,133	7,936	75,119	282,161	856
Tennessee.....	385,928	21,640	153	18,632	426,353	148
Total.....	1,530,973	128,022	31,543	320,406	2,010,944	2,191
Southern Region:						
South Carolina.....	318,000	2,000	400	8,000	328,400	-----
Georgia.....	659,000	90,000	5,100	21,000	775,100	-----
Florida.....	195,000	800	286,000	147,900	629,700	-----
Alabama.....	160,000	245,000	800	6,100	411,900	-----
Mississippi.....	242,000	432,000	1,300	3,900	679,200	-----
Louisiana.....	311,000	92,000	2,103	7,200	412,303	-----
Arkansas.....	315,000	188,000	900	53,000	556,900	-----
Oklahoma.....	109,000	21,000	1,500	1,251,000	1,382,500	-----
Texas.....	698,000	8,000	19,000	2,187,000	2,912,000	-----
Total.....	3,007,000	1,078,800	317,103	3,685,100	8,088,003	-----
Western Region:						
Arizona.....			44	7,569	7,613	-----
California.....	8,497	271,838	287,911	402,167	970,413	15,994
Colorado.....		43		107,973	108,016	1,063
Idaho.....	2,031			10,568	12,599	-----
Kansas.....	21,869	58		166,091	188,018	328
Nevada.....	103		11	242	356	-----
New Mexico.....	10,249		472	337,381	348,102	-----
North Dakota.....	517			7,589	8,106	-----
Oregon.....				59,175	59,175	2,213
Washington.....				49,428	49,428	2,367
Montana.....	557		44	2,743	3,344	-----
Utah.....	583		955	3,866	5,404	-----
Wyoming.....						-----
Total.....	44,406	271,939	289,437	1,154,792	1,760,574	21,965
United States total.....	4,582,379	1,478,761	699,411	5,526,944	12,287,495	65,656

**Exhibit 10.—SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE
1937 AGRICULTURAL CONSERVATION PROGRAM, ETC.—Continued**

State and region	Forest tree practices				Weed control	
	Acreage planted	Acreage main- tained	Acreage improved	Total	Chemical	By culti- vation
Northeast region:	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
Maine.....	82		802	884		
New Hampshire.....	158		1,965	2,123		
Vermont.....	347		715	1,062		
Massachusetts.....	102		584	686		
Rhode Island.....	5			5		
Connecticut.....	205		211	416		
New York.....	2,415		493	2,908		
New Jersey.....	153			153		
Pennsylvania.....	2,842			2,842		
Total.....	6,309		4,770	11,079		
North Central Region:						
Ohio.....	260		50	310		
Indiana.....	11			11		
Illinois.....	120			120		
Michigan.....	692		9,160	9,852		
Wisconsin.....	290		953	1,243		
Missouri.....	453		299	752		
South Dakota.....	3,499		94	3,593		
Minnesota.....	1,428		26,588	28,016		
Iowa.....	215		1	216		
Nebraska.....	3,866	1,048	52	4,966		
Total.....	10,834	1,048	37,197	49,079		
East Central Region:						
Delaware.....	51		3	54		
Maryland.....	109		62	171		
Virginia.....	287		344	631		
West Virginia.....	170		581	751		
North Carolina.....	422		1,108	1,530		
Kentucky.....	600		1,457	2,057		
Tennessee.....	1,636		183	1,819		
Total.....	3,275		3,738	7,013		
Southern Region:						
South Carolina.....	400			400		
Georgia.....	4,300			4,300		
Florida.....	2,400			2,400		
Alabama.....	700			700		
Mississippi.....	900			900		
Louisiana.....	1,300			1,300		
Arkansas.....	400			400		
Oklahoma.....	500			500		
Texas.....	100			100		
Total.....	11,000			11,000		
Western Region:						
Arizona.....					37	1,538
California.....	450			450	1,540	13,727
Colorado.....	389	217		606	320	1,823
Idaho.....	4	9		13	76	3,073
Kansas.....	242	1,752		1,994		
Nevada.....	2			2	17	260
New Mexico.....	450	155		605		6,978
North Dakota.....	1,485	2,007		3,492	951	8,343
Oregon.....	19	24		43	526	9,361
Washington.....	22	12		34	1,997	3,994
Montana.....	112	1,874		1,986	879	4,225
Utah.....	865			865	131	2,641
Wyoming.....	89	290		379	29	327
Total.....	4,129	6,340		10,469	6,503	56,290
United States total.....	35,547	7,388	45,705	88,640	6,503	56,290

* Includes 743 acres flooded.

Exhibit 10.—SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE 1937 AGRICULTURAL CONSERVATION PROGRAM, ETC.—Continued

State and region	Fertilizer and lime applications						
	Limestone	Phos- phate	Basic slag	Potash	Gypsum	Other ¹	Total
Northeast Region:	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>
Maine.....	37,975	4,803	-----	785	-----	1,361	44,924
New Hampshire.....	16,198	2,865	-----	422	-----	1,241	20,726
Vermont.....	33,401	15,594	-----	860	-----	1,506	51,361
Massachusetts.....	26,521	3,353	-----	629	-----	2,269	32,772
Rhode Island.....	2,789	526	-----	103	-----	227	3,645
Connecticut.....	34,609	4,623	-----	223	-----	2	39,457
New York.....	268,468	123,402	-----	201	-----	3,596	395,667
New Jersey.....	111,836	7,575	-----	1,240	-----	2,743	123,394
Pennsylvania.....	502,317	55,814	-----	741	-----	4,000	562,872
Total.....	1,034,114	218,555	-----	5,204	-----	16,945	1,274,818
North Central Region:							
Ohio.....	293,000	768	12	2	-----	-----	293,782
Indiana.....	249,211	49	-----	3	-----	-----	249,263
Illinois.....	645,000	115	1,425	8	116	-----	646,664
Michigan.....	251,909	1,018	-----	249	-----	-----	253,176
Wisconsin.....	406,000	1,407	84	177	2	-----	407,670
Missouri.....	195,720	1,503	10	-----	-----	-----	197,233
South Dakota.....	-----	2	-----	-----	-----	-----	21
Minnesota.....	31,221	487	1	5	-----	-----	31,714
Iowa.....	218,557	310	14	3	-----	-----	218,884
Nebraska.....	100	19	-----	-----	-----	-----	119
Total.....	2,290,718	5,678	1,546	447	118	-----	2,298,507
East Central Region:							
Delaware.....	19,238	1,125	-----	86	-----	-----	20,449
Maryland.....	148,157	6,680	-----	782	-----	-----	155,619
Virginia.....	291,102	23,382	-----	324	-----	-----	314,808
West Virginia.....	152,883	15,679	-----	118	-----	-----	168,680
North Carolina.....	63,493	2,302	-----	34	-----	-----	65,829
Kentucky.....	642,642	61,479	-----	-----	-----	-----	704,121
Tennessee.....	255,864	16,230	-----	-----	-----	-----	272,094
Total.....	1,573,379	126,877	-----	1,344	-----	-----	1,701,600
Southern Region:							
South Carolina.....	1	160	-----	-----	-----	-----	161
Georgia.....	1,500	425	900	-----	-----	6	2,831
Florida.....	28,100	8,258	1,226	-----	-----	119	37,703
Alabama.....	2	9	45	-----	-----	-----	56
Mississippi.....	414	125	2,856	-----	-----	22	3,417
Louisiana.....	2	1	72	-----	-----	-----	75
Arkansas.....	1	1	-----	-----	-----	-----	2
Oklahoma.....	1	1	-----	-----	-----	-----	2
Texas.....	-----	1,250	-----	-----	-----	62	1,312
Total.....	30,021	10,230	5,069	-----	-----	209	45,559
Western Region:							
Idaho.....	-----	367	-----	-----	408	-----	775
Kansas.....	43,141	727	-----	-----	-----	-----	43,868
Nevada.....	-----	3	-----	-----	-----	-----	3
Oregon.....	16,955	500	-----	-----	2,203	-----	19,658
Washington.....	1,512	389	-----	-----	-----	-----	1,901
Utah.....	-----	136	-----	-----	-----	-----	136
Total.....	61,608	2,122	-----	-----	2,611	-----	66,341
United States total.....	4,989,840	363,462	6,645	6,995	2,729	17,154	5,386,825

¹ Nitrogen in the Northeast Region and Manganese Sulphate in the Southern Region.

**Exhibit 10.—SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE
1937 AGRICULTURAL CONSERVATION PROGRAM, ETC.—Continued**

State and region	Fallow				Contour furrowing and ridging pasture land	Contour listing pasture land
	Strip fallow	Contour or basin listed fallow	Other protected fallow	Total fallow		
North Central Region:	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>1,000 feet</i>
South Dakota.....	86,423	15,160	1,617,870	1,719,453	831	-----
Nebraska.....	17,386	73,992	724,172	815,550	804	-----
Total.....	103,809	89,152	2,342,042	2,535,003	1,635	-----
Southern Region:						
South Carolina.....					1,000	200
Georgia.....					40	-----
Mississippi.....					2,000	159
Louisiana.....					20	-----
Oklahoma.....	79,000			79,000	66,000	487
Texas.....	75,000			75,000	6,200	1,965
Total.....	154,000			154,000	75,260	2,811
Western Region:						
Arizona.....		35		35		-----
Colorado.....	2,700	49,568	486,342	538,610	2,065	-----
Idaho.....			98,886	98,886		-----
Kansas.....	3,899	124,538	2,576,002	2,705,039	14,147	-----
New Mexico.....	64,375	44,624	46,423	155,422		-----
North Dakota.....		2,196	863,473	865,669		-----
Oregon.....	96		210,707	210,803		-----
Washington.....			467,267	467,267		-----
Montana.....	273,810	10,488	1,307,346	1,591,644	3,227	-----
Utah.....			139,574	139,574		-----
Wyoming.....	12,253	3,004	68,449	83,706	49	-----
Total.....	357,133	234,453	6,265,069	6,856,655	19,488	-----
United States total.....	614,942	323,605	8,607,111	9,545,658	96,383	2,811

**Exhibit 10.—SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE
1937 AGRICULTURAL CONSERVATION PROGRAM, ETC.—Continued**

State and region	Terracing	Other erosion-control practices				
		Contour strip cropping	Other strip cropping	Contour or basin listing	Contour farming	Total
Northeast region:	1,000 feet	Acres	Acres	Acres	Acres	Acres
Maine.....			82		442	524
New York.....			2,056			2,056
Total.....			2,138		442	2,580
North Central Region:						
Ohio.....		1,100				1,100
Illinois.....	130	50				50
Missouri.....	31	71				71
South Dakota.....	4	2,029	26,172			28,201
Minnesota.....		720				720
Iowa.....	37	10				10
Nebraska.....	217	254	25,551			25,805
Total.....	419	4,234	51,723			55,957
East Central Region:						
Virginia.....	1,761					
North Carolina.....	10,535					
Kentucky.....	731					
Tennessee.....	11,475					
Total.....	24,502					
Southern Region:						
South Carolina.....	8,200					
Georgia.....	31,559					
Florida.....	2,959					
Alabama.....	74,875					
Mississippi.....	44,181					
Louisiana.....	1,060					
Arkansas.....	10,895					
Oklahoma.....	17,442			1,816,000	209,000	2,025,000
Texas.....	64,600			1,977,000	1,380,000	3,357,000
Total.....	255,771			3,793,000	1,589,000	5,382,000
Western Region:						
Arizona.....	95					
California.....	121			128		128
Colorado.....	159			255,627	43,635	299,262
Kansas.....	6,247	415		59,534	156,711	216,660
New Mexico.....	6,525	30,621		535,633		566,254
North Dakota.....		3,933	281,476	933		286,342
Oregon.....				508		508
Montana.....	19			9,959		9,959
Wyoming.....	11			2,900		2,900
Total.....	13,177	34,969	281,476	865,222	200,346	1,382,013
United States total.....	293,869	39,203	335,337	4,658,222	1,789,788	6,822,550

**Exhibit 10.—SOIL-BUILDING PRACTICES CARRIED OUT UNDER THE
1937 AGRICULTURAL CONSERVATION PROGRAM, ETC.—Continued**

State and region	Restoration of noncrop pasture land by deferred grazing	Restora- tion to native cover	Reseeding pastures	Fencing	Miscella- neous
	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Rods</i>	<i>Acres</i>
Northeast Region:					
Maine.....				8,787	
New Hampshire.....				7,388	⁴ 1,960
Vermont.....				15,590	⁵ 8,870
Massachusetts.....				7,774	⁶ 2,474
Rhode Island.....					⁷ 10
Connecticut.....				4,207	⁸ 1,904
New York.....				82,347	⁹ 7,823
New Jersey.....				7,862	¹⁰ 8,590
Pennsylvania.....				27,506	
Total.....				161,461	
North Central Region:					
Ohio.....	10				
Illinois.....	10				
Wisconsin.....	1				⁷ 146
Missouri.....	1,515				
South Dakota.....	69,027	25,662			
Iowa.....	28				
Nebraska.....	26,469	15,695			
Total.....	97,060	41,357			
East Central Region:					
Virginia.....					¹¹ 669
North Carolina.....					¹¹ 4,250
Total.....					4,919
Southern Region:					
Oklahoma.....		3,000			
Texas.....		21,000			
Total.....		24,000			
Western Region:					
California.....		726	623		¹¹ 1,597
Colorado.....		78,797	1,098		
Idaho.....		3,600	2,109		
Kansas.....		12,063	31,916		
Nevada.....		20	60		
North Dakota.....		15,769	4,768		
Oregon.....		80,655	30,110		
Washington.....		35,118	21,253		
Montana.....		17,412	870		
Utah.....		3,918	6,358		
Wyoming.....		33,226	1,963		
Total.....		281,304	101,128		
United States total.....	97,060	346,661	101,128	161,461	

⁴ 1,796 acres under a farm plan; 164 acres from which unproductive orchard trees were removed.

⁵ Acres of maple-sugar orchards normally pastured from which livestock were excluded.

⁶ 1,883 acres of cranberry bogs sanded; 591 acres under a farm plan.

⁷ Acres of cranberry bogs sanded.

⁸ Acres under a farm plan.

⁹ 7,411 acres from which unproductive orchard trees or vines were removed and 412 acres protected by windbreaks.

¹⁰ 8,028 acres under a farm plan; 562 acres of cranberry bogs sanded.

¹¹ Acres of subsoiling.

Appendix D.—STATISTICS ON SURPLUS-REMOVAL OPERATIONS OF THE FEDERAL SURPLUS COMMODITIES CORPORATION

Exhibit 11.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, BY STATES, COMMODITIES, AND SOURCES OF FUNDS, NOV. 18, 1935, THROUGH JUNE 30, 1936 ¹

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalent	Commodity	Transportation	Total
WASHINGTON						
Apples, fresh	State	377,668 bushels	630	\$264,367.60		\$264,367.60
Do	Section 32	420,336 bushels	700	264,448.45	\$78,022.00	342,470.45
Onions	do	50,000 pounds	2	300.00	83.36	383.36
Peas, dried	do	4,081,515 pounds	68	70,975.99	25,405.56	96,381.55
Peas, fresh	State	642,405 pounds	11	24,050.17		24,050.17
Prunes, dried	Section 32	480,000 pounds	8	17,760.00	3,631.04	21,391.04
Wheat, for flour	do	1,781,894 bushels	1,283	1,626,590.53	410,842.26	2,037,733.09
Total			2,702	2,268,793.04	517,984.22	2,786,777.26
TEXAS						
Cotton, raw	Section 32	26,034 bales	521	1,378,702.60	87,142.46	1,465,845.06
Cotton mats	do	31,512 pieces	35	156,145.08	3,966.55	160,111.63
Eggs, shell	do	4,000 cases	10	21,600.00	506.30	22,106.30
Onions	do	21,682,400 pounds	851	217,144.70	170,885.82	388,030.52
Total			1,417	1,773,592.38	262,501.13	2,036,093.51
CALIFORNIA						
Apples, fresh	State	46,871 bushels	78	42,695.86		42,695.86
Do	Section 32	46,860 bushels	78	37,487.98	8,693.88	46,181.86
Beans, dried	State	600,000 pounds	12	16,025.00		16,025.00
Cotton, raw	Section 32	57 bales	1	3,058.01	167.26	3,225.27
Figs, dried	State	600,000 pounds	10	22,500.00		22,500.00
Grapefruit	Section 32	19,098 boxes	32	14,263.50	10,266.24	24,529.74
Milk, dry skim	Jones-Connally	40,013 pounds	1	2,871.90		2,871.90
Milk, evaporated	do	34,400 cases	43	78,952.00		78,952.00
Onions	Section 32	4,890,000 pounds	192	44,010.00	38,592.40	82,602.40
Oranges	do	198,282 boxes	331	194,459.50	105,095.86	299,555.36
Prunes, dried	State	6,000,000 pounds	100	256,308.90		256,308.90
Do	Section 32	14,689,500 pounds	245	658,109.59	111,200.60	769,310.19
Total			1,123	1,370,742.24	273,986.24	1,644,728.48
NEW YORK						
Apples, fresh	State	47,526 bushels	79	32,439.03		32,439.03
Do	Section 32	327,191 bushels	545	213,108.73	60,745.70	273,854.43
Butter	Jones-Connally	790,129 pounds	42	244,622.00		244,622.00
Cabbage	Section 32	44,786 pounds	2	156.76		156.76
Carrots	do	2,637,400 pounds	110	24,658.80	2,320.00	26,978.80
Cheese	Jones-Connally	71,579 pounds	3	11,066.77		11,066.77
Cotton, raw	Section 32	170 bales	4	8,528.71	669.04	9,197.75
Eggs, shell	do	21,815 cases	55	138,473.28	2,784.65	141,257.93
Milk, dry skim	Jones-Connally	189,300 pounds	5	13,774.40		13,774.40
Oat cereal, enriched	State	1,307,088 pounds	32	Exchange		Exchange
Onions	Section 32	1,859,550 pounds	73	17,790.87	3,042.64	20,833.51
Wheat, for flour	do	304,988 bushels	221	366,743.59	70,768.62	437,512.21
Total			1,171	1,071,363.34	140,330.65	1,211,693.99

¹ States ranked according to total volume of commodity expenditures.

² Includes \$14,414.10 processing cost.

³ Includes \$337,338.10 processing cost.

⁴ Includes \$57,738.60 processing cost.

Exhibit 11.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., NOV. 18, 1935, THROUGH JUNE 30, 1936—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalent	Commodity	Transportation	Total
OHIO						
Apples, fresh.....	Section 32.....	15,727 bushels.....	26	\$10,309.15	\$2,897.96	\$13,207.11
Milk, dry skim.....	Jones-Connally.....	40,050 pounds.....	1	3,013.36		3,013.36
Milk, evaporated.....	do.....	17,600 cases.....	22	40,144.00		40,144.00
Oat cereal, enriched.....	State.....	440,000 pounds.....	11	Exchange		Exchange
Oats, rolled.....	do.....	1,170,000 pounds.....	29	30,771.00		30,771.00
Onions.....	Section 32.....	111,500 pounds.....	4	669.00	166.72	835.72
Wheat, for flour.....	do.....	495,000 bushels.....	360 ⁵	594,758.44	115,279.20	710,037.64
Total.....			453	679,664.95	118,343.88	798,008.83
GEORGIA						
Cotton, raw.....	Section 32.....	4,597 bales.....	92	235,695.33	15,387.92	251,083.25
Cotton fabric.....	do.....	2,507,324 yards.....	100	290,551.22	13,521.00	304,072.22
Cotton ticking.....	do.....	1,334,003 yards.....	27	144,725.93	3,791.34	148,517.27
Total.....			219	670,972.48	22,700.26	703,672.74
ILLINOIS						
Apples, fresh.....	State.....	97,578 bushels.....	163	65,123.15		65,123.15
Do.....	Section 32.....	27,447 bushels.....	40	19,104.15	5,127.16	24,231.31
Butter.....	Jones-Connally.....	1,851,774 pounds.....	96	513,543.15		513,543.15
Eggs, shell.....	Section 32.....	2,057 cases.....	5	13,381.20	253.15	13,634.35
Milk, evaporated.....	Jones-Connally.....	20,000 cases.....	25	42,886.00		42,886.00
Oats, rolled.....	State.....	530,000 pounds.....	13	12,720.00		12,720.00
Do.....	do.....	2,525,440 pounds.....	63	Exchange		Exchange
Total.....			411	686,762.65	5,380.31	672,142.96
IDAHO						
Apples, fresh.....	State.....	198,192 bushels.....	330	133,214.60		133,214.60
Do.....	Section 32.....	66,096 bushels.....	110	45,177.00	12,260.60	57,437.60
Beans, dried.....	State.....	750,000 pounds.....	15	20,780.00		20,780.00
Onions.....	Section 32.....	190,000 pounds.....	7	1,350.00	291.76	1,641.76
Peas, dried.....	State.....	10,490,880 pounds.....	175	183,439.05		183,439.05
Do.....	Section 32.....	3,420,780 pounds.....	57	59,413.50	21,399.19	80,812.69
Prunes, dried.....	do.....	142,000 pounds.....	2	4,768.50	907.76	5,676.26
Wheat, for flour.....	do.....	181,787 bushels.....	132 ⁶	163,083.29	42,269.04	205,352.33
Total.....			828	611,255.94	77,128.35	688,384.29
MICHIGAN						
Apples, fresh.....	State.....	56,804 bushels.....	95	37,090.20		37,090.20
Do.....	Section 32.....	29,451 bushels.....	49	19,150.15	5,461.54	24,611.69
Beans, dried.....	State.....	11,650,000 pounds.....	231	242,550.00		242,550.00
Do.....	Section 32.....	1,200,000 pounds.....	24	25,200.00	7,370.00	32,570.00
Grapes.....	State.....	3,188,376 pounds.....	129 ⁷	134,093.48		134,093.48
Milk, dry skim.....	Jones-Connally.....	80,100 pounds.....	2	6,082.23		6,082.23
Milk, evaporated.....	do.....	8,800 cases.....	11	20,072.00		20,072.00
Onions.....	Section 32.....	2,916,500 pounds.....	114	18,205.99	4,751.52	22,957.51
Sugar, beet.....	Jones-Costigan.....	2,300,000 pounds.....	39	102,076.89		102,076.89
Total.....			694	604,520.94	17,583.06	622,104.00
OREGON						
Apples, fresh.....	State.....	22,680 bushels.....	38	15,876.00		15,876.00
Do.....	Section 32.....	19,027 bushels.....	32	13,318.90	3,566.72	16,885.62
Butter.....	Jones-Connally.....	309,400 pounds.....	16	94,398.81		94,398.81
Cheese.....	do.....	124,630 pounds.....	5	19,790.32		19,790.32
Onions.....	Section 32.....	295,000 pounds.....	12	2,290.00	500.16	2,890.16
Prunes, dried.....	State.....	5,000,000 pounds.....	83	185,000.00		185,000.00
Do.....	Section 32.....	2,280,000 pounds.....	38	84,240.00	17,247.44	101,487.44
Wheat, for flour.....	do.....	159,109 bushels.....	109 ⁸	140,328.02	34,903.98	175,232.00
Total.....			333	555,342.05	56,218.30	611,560.35

⁵ Includes \$93,710.60 processing cost.⁶ Includes \$34,414.89 processing cost.⁷ Includes \$84,536.30 processing cost.⁸ Includes \$28,417.78 processing cost.

Exhibit 11.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., NOV. 18, 1935, THROUGH JUNE 30, 1936—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalent	Commodity	Transportation	Total
TENNESSEE						
Cotton, raw	Section 32	9,358 bales	187	\$489,891.27	\$31,277.62	\$521,168.89
LOUISIANA						
Cabbage	do	144,000 pounds	6	935.95	927.36	1,863.31
Cotton, raw	do	1,366 bales	27	70,293.17	4,516.02	74,809.19
Cotton ticking	do	3,000,056 yards	60	313,505.82	8,425.20	321,931.02
Total			93	384,734.94	13,868.58	398,603.52
WISCONSIN						
Cheese	Jones-Connally	647,833 pounds	27	98,380.82		98,380.82
Cherries, canned	State	30,000 cans (#10)	1	10,000.00		10,000.00
Milk, dry skim	Jones-Connally	742,800 pounds	19	59,156.49		59,156.49
Milk, evaporated	do	84,800 cases	106	202,864.00		202,864.00
Total			153	370,401.31		370,401.31
VIRGINIA						
Apples, fresh	State	196,604 bushels	328	137,615.00		137,615.00
Do	Section 32	241,723 bushels	403	169,206.10	44,918.38	214,124.48
Total			731	306,821.10	44,918.38	351,739.48
MASSACHUSETTS						
Apples, fresh	Section 32	23,589 bushels	39	14,950.70	4,346.94	19,297.64
Cotton, raw	do	4,463 bales	89	239,835.58	14,886.14	254,721.72
Eggs, shell	do	1,200 cases	3	7,470.00	151.89	7,621.89
Onions	do	323,800 pounds	13	3,030.60	541.84	3,572.44
Turnips	State	182,300 pounds	7	727.20		727.20
Total			151	266,014.08	19,926.81	285,940.89
CONNECTICUT						
Apples, fresh	Section 32	9,913 bushels	16	7,815.60	1,783.36	9,598.96
Cotton mats	do	58,015 pieces	64	198,099.10	7,253.12	205,352.22
Total			80	205,914.70	9,036.48	214,951.18
ALABAMA						
Cabbage	Section 32	265,456 pounds	10	1,725.34	1,545.60	3,270.94
Cotton, raw	do	1,805 bales	36	96,734.51	6,021.36	102,755.87
Cotton ticking	do	415,982 yards	8	44,218.97	1,123.36	45,342.33
Total			54	142,678.82	8,690.32	151,369.14
PENNSYLVANIA						
Apples, fresh	State	60,022 bushels	100	42,015.40		42,015.40
Do	Section 32	113,924 bushels	190	79,746.80	21,177.40	100,924.20
Total			290	121,762.20	21,177.40	142,939.60
INDIANA						
Apples, fresh	State	958 bushels	1	622.70		622.70
Do	Section 32	1,558 bushels	3	1,012.70	334.38	1,347.08
Milk, evaporated	Jones-Connally	10,400 cases	13	23,776.00		23,776.00
Sugar, beet	Jones-Costigan	200,000 pounds	3	8,874.18		8,874.18
Wheat, for flour	Section 32	56,538 bushels	41	69,707.59	13,129.02	82,836.61
Total			61	103,993.17	13,463.40	117,456.57
MISSISSIPPI						
Cabbage	Section 32	8,288,417 pounds	319	53,866.62	49,304.64	103,171.26
Cotton, raw	do	312 bales	6	15,545.49	1,003.56	16,549.05
Total			325	69,412.11	50,308.20	119,720.31

7 Includes \$10,703.45 processing cost.

Exhibit 11.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., NOV. 18, 1935, THROUGH JUNE 30, 1936—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalent	Commodity	Transportation	Total
KENTUCKY						
Wheat, for flour.....	Section 32.....	55,000 bushels.....	40 ¹⁰	\$67,994.01	\$12,808.80	\$80,802.81
NORTH CAROLINA						
Cotton, raw.....	do.....	200 bales.....	4	9,725.07	669.04	10,394.11
Cotton fabric.....	do.....	363,407 yards.....	15	57,089.37	2,028.15	59,117.52
Total.....			19	66,814.44	2,697.19	69,511.63
MISSOURI						
Apples, fresh.....	State.....	56,510 bushels.....	94	34,889.11		34,889.11
Do.....	Section 32.....	1,610 bushels.....	3	1,127.00	334.38	1,461.38
Cheese.....	Jones-Connally.....	87,906 pounds.....	4	13,845.35		13,845.35
Eggs, shell.....	Section 32.....	400 cases.....	1	2,280.00	50.63	2,330.63
Milk, evaporated.....	Jones-Connally.....	5,600 cases.....	7	13,440.00		13,440.00
Oats, rolled.....	State.....	2,420,601 pounds.....	60	Exchange		Exchange
Total.....			169	65,581.46	385.01	65,966.47
NEW JERSEY						
Apples, fresh.....	Section 32.....	14,917 bushels.....	25	11,170.80	2,786.50	13,957.30
Cotton, raw.....	do.....	653 bales.....	13	33,279.80	2,174.38	35,454.18
Total.....			38	44,450.60	4,960.88	49,411.48
SOUTH CAROLINA						
Cotton, raw.....	Section 32.....	832 bales.....	17	43,174.09	2,843.42	46,017.51
WEST VIRGINIA						
Apples, fresh.....	State.....	50,181 bushels.....	84	35,126.70		35,126.70
Do.....	Section 32.....	8,426 bushels.....	14	5,898.20	1,560.44	7,458.64
Total.....			98	41,024.90	1,560.44	42,585.34
MARYLAND						
Apples, fresh.....	State.....	35,153 bushels.....	58	24,607.10		24,607.10
Do.....	Section 32.....	2,703 bushels.....	5	1,872.10	557.30	2,429.40
Milk, dry skim.....	Jones-Connally.....	160,200 pounds.....	4	12,846.44		12,846.44
Total.....			67	39,325.64	557.30	39,882.94
MINNESOTA						
Milk, dry skim.....	Jones-Connally.....	341,100 pounds.....	8	26,620.28		26,620.28
Oat cereal, enriched.....	State.....	703,968 pounds.....	18	Exchange		Exchange
Oats, rolled.....	do.....	300,000 pounds.....	8	7,410.00		7,410.00
Do.....	do.....	2,429,845 pounds.....	61	Exchange		Exchange
Total.....			95	34,030.28		34,030.28
IOWA						
Oat cereal, enriched.....	State.....	1,749,690 pounds.....	44	Exchange		Exchange
Oats, rolled.....	do.....	1,000,000 pounds.....	25	23,800.00		23,800.00
Do.....	do.....	7,144,980 pounds.....	179	Exchange		Exchange
Total.....			248	23,800.00		23,800.00
MONTANA						
Apples, fresh.....	State.....	17,477 bushels.....	29	13,024.23		13,024.23
Beans, dried.....	do.....	220,000 pounds.....	4	6,180.00		6,180.00
Total.....			33	19,204.23		19,204.23

¹⁰ Includes \$10,412.30 processing cost.¹¹ Includes \$1,925.66 processing cost.

Exhibit 11.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., NOV. 18, 1935, THROUGH JUNE 30, 1936—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalent	Commodity	Transportation	Total
COLORADO						
Beans, dried	State	506,323 pounds	10	\$13,668.15		\$13,668.15
Onions	Section 32	75,000 pounds	3	644.75	\$125.04	769.79
Total			13	14,312.90	125.04	14,437.94
OKLAHOMA						
Eggs, shell	Section 32	2,000 cases	5	11,400.00	253.15	11,653.15
FLORIDA						
Cotton, raw	do	49 bales	1	2,630.76	167.26	2,798.02
Grapefruit	do	9,782 boxes	16	7,533.96	5,133.12	12,667.08
Oranges	do	30 boxes	(12)	30.00		30.00
Total			17	10,194.72	5,300.38	15,495.10
ARIZONA						
Beans, dried	State	199,697 pounds	4	5,910.66		5,910.66
Grapefruit	Section 32	2,600 boxes	4	1,950.00	1,283.28	3,233.28
Onions	State	115,228 pounds	4	1,037.05		1,037.05
Total			12	8,897.71	1,283.28	10,180.99
UTAH						
Apples, fresh	State	11,763 bushels	20	8,229.80		8,229.80
Onions	Section 32	24,350 pounds	1	243.50	41.68	285.18
Total			21	8,473.30	41.68	8,514.98
ARKANSAS						
Cotton, raw	Section 32	101 bales	2	5,395.97	334.52	5,730.49
NEW MEXICO						
Beans, dried	State	100,000 pounds	2	3,230.00		3,230.00
NEW HAMPSHIRE						
Apples, fresh	Section 32	1,777 bushels	3	1,314.75	334.38	1,649.13
Total United States.			12,375	13,243,252.71	1,748,309.06	14,991,561.77

¹² Less than carlot.

¹³ Total expenditures by funds: State, \$2,087,142.14; Jones Connally, \$1,542,146.72; Jones-Costigan, \$110,951.07; section 32, \$11,251,321.84.

Exhibit 12.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, BY STATES, COMMODITIES, AND SOURCES OF FUNDS, JULY 1, 1936, THROUGH JUNE 30, 1937¹

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
CALIFORNIA						
Apples, dried	State	600,000 pounds	9	\$48,000.00		\$48,000.00
Apples, fresh	do	12,498 bushels	20	8,949.92		8,949.92
Beans, dried	Section 32	1,200,000 pounds	20	32,100.00	\$3,666.30	35,766.30
Eggs, shell	do	4,500 cases	11	31,464.00	604.78	32,068.78
Figs, dried	State	209,800 pounds	3	8,831.75		8,831.75
Milk, dry skim	Jones-Connally	4,800,672 pounds	121	341,232.95		341,232.95
Milk, evaporated	do	16,800 cases	21	43,224.00		43,224.00
Onions	Section 32	3,180,000 pounds	106	25,930.50	20,197.98	46,128.48
Peaches, dried	do	2,940,000 pounds	49	227,850.00	23,419.20	251,269.20
Pears, fresh	State	11,797 boxes	22	13,566.55		15,566.55
Do	Section 32	139,844 boxes	230	125,602.62	82,005.99	207,608.61
Potatoes, white	do	34,000 bushels	68	13,260.00	9,469.68	22,729.68
Prunes, dried	do	36,739,475 pounds	612	1,711,675.80	248,188.50	1,959,864.30
Walnuts, English	State	1,013,000 pounds	20	139,681.91		139,681.91
Total			1,312	2,771,370.00	387,552.43	3,158,922.43
NEW YORK						
Butter	State	36,525 pounds	1	11,505.37		11,505.37
Do	Jones-Connally	1,854,835 pounds	95	575,126.35		575,126.35
Eggs, shell	Section 32	190,465 cases	476	1,424,949.22	24,772.42	1,449,721.64
Fish, frozen	F. S. C. C.	195,202 pounds	6	9,122.35	1,567.14	10,689.49
Milk, dry skim	Jones-Connally	3,362,292 pounds	84	248,008.18		248,008.18
Milk, evaporated	Section 32	76,800 cases	96	188,928.00	11,655.36	200,583.36
Potatoes, white	do	12,657 bushels	20	8,489.80	2,785.20	11,275.00
Total			778	2,466,129.27	40,780.12	2,506,909.39
TEXAS						
Cattle	Section 32	1 head	(2)	17.40		17.40
Eggs, shell	do	2,000 cases	5	11,959.76	274.90	12,234.66
Grapefruit	do	1,199,296 boxes	2,977	683,569.19	811,024.11	1,494,593.30
Grapefruit juice	do	679,064 cases	423	850,912.47		850,912.47
Onions	do	9,129,000 pounds	358	105,111.00	67,253.88	172,364.88
Rice, milled	State	720,000 pounds	18	16,829.40		16,829.40
Total			3,781	1,668,399.22	878,552.89	2,546,952.11
WISCONSIN						
Cattle	Section 32	39 head	1	1,582.98	24.81	1,607.79
Fish, frozen	F. S. C. C.	30,150 pounds	1	2,035.13	261.19	2,296.32
Milk, dry skim	Jones-Connally	6,925,043 pounds	173	515,518.45		515,518.45
Milk, evaporated	do	140,200 cases	175	327,734.00		327,734.00
Total			350	846,870.56	286.00	847,156.56
ILLINOIS						
Butter	Jones-Connally	777,022 pounds	40	231,691.05		231,691.05
Cattle	Section 32	120 head	4	4,341.46	99.24	4,440.70
Eggs, shell	do	41,722 cases	104	278,557.16	5,291.08	283,848.24
Fish, frozen	F. S. C. C.	104,819 pounds	3	7,832.89	783.57	8,616.46
Milk, dry skim	Jones-Connally	719,988 pounds	18	57,185.51		57,185.51
Milk, evaporated	do	48,000 cases	60	108,000.00		108,000.00
Total			229	687,608.07	6,173.89	693,781.96

¹ States ranked according to total volume of commodity expenditures.

² Less than carlot.

Exhibit 12.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1936, THROUGH JUNE 30, 1937—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
FLORIDA						
Celery.....	State.....	68,980 crates.....	197	\$62,906.20		\$62,906.20
Eggs, shell.....	Section 32.....	800 cases.....	2	6,240.00	\$101.54	6,341.54
Fish, frozen.....	F. S. C. C.....	166,200 pounds.....	5	7,513.01	1,305.95	8,818.96
Grapefruit.....	State.....	2,283 boxes.....	5	1,050.18		1,050.18
Do.....	Section 32.....	924,652 boxes.....	2,301	425,339.67	626,861.43	1,052,201.10
Grapefruit juice.....	do.....	36,006 cases.....	22	43,207.20		43,207.20
Sirup, cane.....	State.....	14,492 gallons.....	4	5,072.20		5,072.20
Do.....	Section 32.....	62,400 gallons.....	17	21,839.24	4,453.02	26,292.26
Total.....			2,553	573,167.70	632,721.94	1,205,889.64
MASSACHUSETTS						
Butter.....	Section 32.....	356,892 pounds.....	18	122,386.37	1,070.06	123,456.43
Eggs, shell.....	do.....	3,200 cases.....	8	24,531.00	439.64	24,970.64
Fish, frozen.....	State.....	237,781 pounds.....	8	11,037.69		11,037.69
Do.....	F. S. C. C.....	8,210,875 pounds.....	273	398,328.29	71,304.87	469,633.16
Onions.....	Section 32.....	364,425 pounds.....	14	2,915.40	2,578.52	5,493.92
Turnips.....	State.....	1,388,365 pounds.....	53	6,941.67		6,941.67
Total.....			374	566,140.42	75,393.29	641,533.71
WASHINGTON						
Apples, dried.....	State.....	25,000 pounds.....	(2)	1,960.00		1,960.00
Eggs, shell.....	Section 32.....	8,672 cases.....	22	61,937.60	1,175.88	63,113.48
Fish, frozen.....	F. S. C. C.....	1,507,597 pounds.....	52	73,231.75	13,581.88	86,813.63
Milk, dry skim.....	Jones-Connally.....	1,440,000 pounds.....	36	101,312.64		101,312.64
Milk, evaporated.....	do.....	8,000 cases.....	10	20,000.00		20,000.00
Pears, fresh.....	Section 32.....	94,838 boxes.....	156	75,870.40	49,749.60	125,620.00
Peas, dried.....	State.....	180,000 pounds.....	3	3,150.00		3,150.00
Do.....	Section 32.....	3,599,650 pounds.....	50	66,143.87	20,585.50	86,729.37
Peas, fresh green.....	State.....	1,653,572 pounds.....	99	52,959.20		52,959.20
Prunes, dried.....	Section 32.....	600,000 pounds.....	10	28,222.50	3,851.38	32,073.88
Wheat, for flour.....	do.....	7,074 bushels.....	5	3 7,408.36	2,867.27	10,275.63
Total.....			443	492,196.32	91,811.51	584,007.83
OHIO						
Cabbage.....	State.....	570,265 pounds.....	24	1,924.64		1,924.64
Eggs, shell.....	Section 32.....	2,000 cases.....	5	14,800.20	253.85	15,054.05
Fish, frozen.....	F. S. C. C.....	765,724 pounds.....	26	48,880.21	6,790.94	55,671.15
Milk, dry skim.....	Jones-Connally.....	80,000 pounds.....	2	4,554.00		4,554.00
Milk, evaporated.....	State.....	4,000 cases.....	5	9,560.00		9,560.00
Do.....	Jones-Connally.....	89,600 cases.....	112	215,616.00		215,616.00
Oat cereal, enriched.....	F. S. C. C.....	2,402,628 pounds.....	60	72,878.45	6,924.00	79,802.45
Total.....			234	368,213.50	13,968.79	382,182.29
NORTH CAROLINA						
Potatoes, white.....	Section 32.....	659,465 bushels.....	1,152	307,627.70	160,427.52	468,055.22
OREGON						
Cauliflower.....	do.....	30,500 crates.....	61	16,775.00	13,154.60	29,929.60
Eggs, shell.....	do.....	912 cases.....	2	6,429.60	109.96	8,539.56
Milk, dry skim.....	Jones-Connally.....	260,000 pounds.....	6	19,479.68		19,479.68
Prunes, dried.....	Section 32.....	5,600,000 pounds.....	89	245,032.50	32,877.08	277,909.58
Wheat, for flour.....	do.....	7,107 bushels.....	5	3 7,453.43	2,867.28	10,320.71
Total.....			163	295,170.21	49,008.92	344,179.13

¹ Less than carlot.

² Includes \$1,618.70 processing cost.

Exhibit 12.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1936, THROUGH JUNE 30, 1937—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
PENNSYLVANIA						
Cotton fabric.....	Section 32.....	1,052 yards.....	(?)	\$315.60		\$315.60
Eggs, shell.....	do.....	9,007 cases.....	23	66,129.21	\$1,230.86	67,360.07
Fish, frozen.....	State.....	25,483 pounds.....	1	2,031.00		2,031.00
Do.....	F. S. C. C.....	58,250 pounds.....	2	3,905.82	522.38	4,428.20
Milk, dry skim.....	Jones-Connally.....	320,000 pounds.....	8	24,583.68		24,583.68
Milk, evaporated.....	do.....	17,600 cases.....	22	44,528.00		44,528.00
Do.....	Section 32.....	23,200 cases.....	29	57,072.00	3,520.89	60,592.89
Potatoes, white.....	do.....	3,136 bushels.....	5	2,059.60	696.30	2,755.90
Total.....			90	200,624.91	5,970.43	206,595.34
IOWA						
Cattle.....	Section 32.....	210 head.....	7	6,269.41	173.67	6,443.08
Oat cereal, enriched..	F. S. C. C.....	3,232,274 pounds.....	81	98,043.94	9,347.40	107,391.34
Oats, rolled.....	State.....	2,526,300 pounds.....	63	78,234.36		78,234.36
Total.....			151	182,547.71	9,521.07	192,068.78
MICHIGAN						
Eggs, shell.....	Section 32.....	1,600 cases.....	4	10,680.00	219.92	10,899.92
Fish, frozen.....	F. S. C. C.....	63,060 pounds.....	2	3,377.02	522.38	3,899.40
Milk, dry skim.....	Jones-Connally.....	1,560,604 pounds.....	39	112,588.84		112,588.84
Milk, evaporated.....	do.....	21,600 cases.....	27	51,336.00		51,336.00
Total.....			72	177,981.86	742.30	178,724.16
IDAHO						
Apples, dried.....	State.....	125,000 pounds.....	2	10,040.00		10,040.00
Milk, dry skim.....	Jones-Connally.....	1,359,684 pounds.....	34	98,838.45		98,838.45
Onions.....	Section 32.....	1,560,000 pounds.....	52	9,360.00	9,577.36	18,937.36
Peas, dried.....	State.....	420,000 pounds.....	7	7,350.00		7,350.00
Do.....	Section 32.....	2,399,820 pounds.....	40	44,396.85	16,468.40	60,865.25
Total.....			135	169,985.30	26,045.76	196,031.06
NEBRASKA						
Cattle.....	Section 32.....	223 head.....	7	6,959.06	173.67	7,132.73
Eggs, shell.....	do.....	2,000 cases.....	5	12,750.00	274.90	13,024.90
Milk, dry skim.....	Jones-Connally.....	1,519,597 pounds.....	38	118,667.81		118,667.81
Total.....			50	138,376.87	448.57	138,825.44
VIRGINIA						
Fish, frozen.....	F. S. C. C.....	123,979 pounds.....	4	14,162.40	1,044.76	15,207.16
Potatoes, white.....	Section 32.....	224,855 bushels.....	396	104,714.50	55,146.96	159,861.46
Total.....			400	118,876.90	56,191.72	175,068.62
MARYLAND						
Cotton fabric.....	Section 32.....	523 yards.....	(?)	392.25		392.25
Eggs, shell.....	do.....	4,600 cases.....	12	33,450.00	634.50	34,084.50
Milk, dry skim.....	Jones-Connally.....	1,000,708 pounds.....	25	68,850.24		68,850.24
Milk, evaporated.....	do.....	1,600 cases.....	2	3,664.00		3,664.00
Total.....			39	106,356.49	634.50	106,990.99
LOUISIANA						
Rice, milled.....	State.....	1,799,980 pounds.....	45	44,647.52		44,647.52
Sirup, cane.....	do.....	3,810 gallons.....	1	1,333.50		1,333.50
Do.....	Section 32.....	133,893 gallons.....	37	46,862.55	656.37	47,518.92
Total.....			83	92,843.57	656.37	93,499.94

1 Less than carlot.

Exhibit 12.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1936, THROUGH JUNE 30, 1937—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
VERMONT						
Cheese.....	State.....	138,438 pounds.....	6	\$24,697.55		\$24,697.55
Milk, dry skim.....	Jones-Connally.....	520,000 pounds.....	13	41,289.84		41,289.84
Total.....			19	65,987.39		65,987.39
MINNESOTA						
Cattle.....	Section 32.....	143 head.....	5	4,190.49	\$124.05	4,314.54
Fish, frozen.....	F. S. C. C.....	22,500 pounds.....	1	1,152.90	261.19	1,414.09
Milk, dry skim.....	Jones-Connally.....	920,280 pounds.....	23	60,154.93		60,154.93
Total.....			29	65,498.32	385.24	65,883.56
INDIANA						
Cattle.....	Section 32.....	8 head.....	(2)	240.86		240.86
Eggs, shell.....	do.....	5,600 cases.....	14	41,010.00	740.25	41,750.25
Milk, evaporated.....	State.....	4,000 cases.....	5	9,560.00		9,560.00
Total.....			19	50,810.86	740.25	51,551.11
MISSOURI						
Cattle.....	Section 32.....	53 head.....	2	1,139.10	49.62	1,188.72
Eggs, shell.....	do.....	800 cases.....	2	5,520.00	101.54	5,621.54
Fish, frozen.....	F. S. C. C.....	28,302 pounds.....	1	1,647.36	261.19	1,908.55
Milk, dry skim.....	Jones-Connally.....	120,107 pounds.....	3	7,134.38		7,134.38
Oats, rolled.....	State.....	1,107,000 pounds.....	28	34,281.53		34,281.53
Total.....			36	49,722.37	412.35	50,134.72
SOUTH DAKOTA						
Cattle.....	Section 32.....	623 head.....	21	15,758.68	521.01	16,279.69
Sheep.....	State.....	10,985 head.....	49	33,721.97		33,721.97
Total.....			70	49,480.65	521.01	50,001.66
TENNESSEE						
Cabbage.....	State.....	8,015,295 pounds.....	316	27,047.28		27,047.28
Milk, dry skim.....	Jones-Connally.....	200,000 pounds.....	5	16,380.00		16,380.00
Total.....			321	43,427.28		43,427.28
ARKANSAS						
Eggs, shell.....	Section 32.....	400 cases.....	1	2,419.92	54.98	2,474.90
Rice, milled.....	State.....	1,480,000 pounds.....	37	40,395.80		40,395.80
Total.....			38	42,815.72	54.98	42,870.70
DISTRICT OF COLUMBIA						
Cotton fabric.....	Section 32.....	1,000 yards.....	(2)	135.00		135.00
Eggs, shell.....	do.....	5,600 cases.....	7	40,490.63	334.77	40,825.40
Total.....			7	40,625.63	334.77	40,960.40
KENTUCKY						
Hogs.....	State.....	1,573 head.....	13	37,283.54		37,283.54

² Less than carlot.⁴ Includes \$2,053.99 processing cost.

Exhibit 12.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1936, THROUGH JUNE 30, 1937—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
COLORADO						
Apples, fresh	do.	1,832 bushels	3	\$568.69		\$568.69
Beans, green	do.	72,223 pounds	5	1,223.54		1,223.54
Beets, fresh	do.	146,525 pounds	5	810.74		810.74
Carrots	do.	35,190 pounds	1	257.31		257.31
Cattle	Section 32	15 head	1	465.20	\$24.81	490.01
Cauliflower	do.	48,170 crates	96	28,896.00	20,222.40	49,118.40
Chard, swiss	State	53,425 pounds	1	258.07		258.07
Corn, fresh	do.	52,560 pounds	4	175.50		175.50
Peas, fresh	do.	57,637 pounds	3	1,132.54		1,132.54
Spinach	do.	32,358 pounds	1	194.16		194.16
Tomatoes, fresh	do.	250,844 pounds	13	1,195.62		1,195.62
Total			133	35,177.37	20,247.21	55,424.58
NORTH DAKOTA						
Cattle	Section 32	1,431 head	48	33,530.38	1,190.88	34,721.26
GEORGIA						
Cotton fabric	Section 32	54,514 yards	2	5,741.27	251.51	5,992.78
Fish, frozen	F. S. C. C.	50,000 pounds	2	2,000.00	522.38	2,522.38
Sirup, cane	State	19,022 gallons	5	6,657.53		6,657.53
Do	Section 32	45,000 gallons	13	15,750.03	244.53	15,994.56
Total			22	30,148.83	1,018.42	31,167.25
ALABAMA						
Pears, fresh	State	17,514 boxes	32	5,639.55		5,639.55
Potatoes, white	do.	26,443 bushels	66	12,692.80		12,692.80
Sirup, cane	do.	7,442 gallons	2	2,604.70		2,604.70
Do	Section 32	21,776 gallons	6	7,616.43	862.29	8,478.72
Total			106	28,553.48	862.29	29,415.77
MAINE						
Fish, frozen	State	25,380 pounds	1	1,469.35		1,469.35
Do	F. S. C. C.	387,608 pounds	13	23,698.01	3,395.47	27,093.48
Total			14	25,167.36	3,395.47	28,562.83
MONTANA						
Cattle	Section 32	464 head	15	13,361.25	372.15	13,733.40
Sheep	State	1,520 head	7	4,666.13		4,666.13
Total			22	18,027.38	372.15	18,399.53
UTAH						
Eggs, shell	Section 32	1,368 cases	3	8,821.20	164.94	8,986.14
Milk, dry skim	Jones-Connally	40,000 pounds	1	3,267.00		3,267.00
Onions	Section 32	983,612 pounds	33	5,105.20	6,077.94	11,183.14
Total			37	17,193.40	6,242.88	23,436.28
WYOMING						
Cattle	Section 32	168 head	6	5,289.33	148.86	5,438.19
Sheep	State	1,664 head	7	5,108.18		5,108.18
Total			13	10,397.51	148.86	10,546.37
NEW JERSEY						
Fish, frozen	F. S. C. C.	339,827 pounds	11	8,970.08	2,873.09	11,843.17

Exhibit 12.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1936, THROUGH JUNE 30, 1937—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
KANSAS						
Cattle.....	Section 32.....	149 head.....	5	\$2,793.56	\$124.05	\$2,917.61
Milk, dry skim.....	Jones-Connally ..	41,250 pounds.....	1	3,573.28		3,573.28
Total.....			6	6,366.84	124.05	6,490.89
RHODE ISLAND						
Eggs, shell.....	Section 32.....	800 cases.....	2	6,090.00	109.96	6,199.96
NEW HAMPSHIRE						
Eggs, shell.....	do.....	do.....	2	6,060.00	109.96	6,169.96
CONNECTICUT						
Eggs, shell.....	do.....	697 Cases.....	2	4,983.00	109.96	5,092.96
ARIZONA						
Beans, dried.....	State.....	100,637 pounds.....	2	4,275.48		4,275.48
Honey.....	do.....	2,940 pounds.....	(2)	147.00		147.00
Sirup, sorghum.....	do.....	200 gallons.....	(2)	100.00		100.00
Total.....			2	4,522.48		4,522.48
MISSISSIPPI						
Pears, fresh.....	State.....	3,804 boxes.....	7	1,225.00		1,225.00
OKLAHOMA						
Cattle.....	Section 32.....	16 head.....	(2)	225.29		225.00
Total United States.....			13,368	12,912,776.74	2,476,141.80	15,388,918.54

² Less than carload.

³ Total expenditures by funds: Section 32, \$10,222,375.95; Federal Surplus Commodities Corporation, \$898,050.71; Jones-Connally, \$3,463,539.26; State, \$804,952.62.

Exhibit 13.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, BY STATES, COMMODITIES, AND SOURCES OF FUNDS, JULY 1, 1937, THROUGH MAY 6, 1938 ¹

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
CALIFORNIA						
Apples, dried.....	Section 32.	2,000,000 pounds.....	33	\$126,876.50	\$14,000.59	\$140,877.09
Apples, fresh.....	do.....	170,204 bushels.....	213	89,460.00	25,173.20	114,633.20
Apricots, dried.....	State.....	600,000 pounds.....	10	45,000.00	-----	45,000.00
Do.....	Section 32.	2,990,000 pounds.....	50	224,250.00	17,720.73	241,970.73
Beans, dried.....	do.....	29,340,000 pounds.....	489	911,250.00	156,480.00	1,067,730.00
Butter.....	do.....	2,367,552 pounds.....	121	650,520.70	5,341.78	655,862.48
Eggs, shell.....	do.....	13,620 cases.....	29	87,147.44	1,729.60	88,877.04
Grapefruit.....	do.....	5,082 boxes.....	11	3,049.20	2,200.00	5,249.20
Milk, dry skim.....	do.....	600,000 pounds.....	11	37,420.20	3,404.42	40,806.62
Onions.....	do.....	3,000,000 pounds.....	100	24,000.00	23,510.27	47,510.27
Oranges.....	do.....	888,324 boxes.....	1,972	836,095.80	468,350.00	1,304,445.80
Peaches, dried.....	do.....	2,534,000 pounds.....	42	174,530.00	19,950.00	194,480.00
Pears, fresh.....	do.....	133,712 boxes.....	219	133,352.00	70,420.08	203,772.08
Potatoes, white.....	do.....	113,200 bushels.....	197	38,548.80	35,806.52	74,355.32
Prunes, dried.....	do.....	43,105,650 pounds.....	718	1,758,684.72	347,049.15	2,105,733.87
Rice, milled.....	do.....	3,200,000 pounds.....	64	56,300.00	15,046.21	71,346.21
Total.....	-----	-----	4,279	5,196,467.36	1,206,182.55	6,402,649.91
NEW YORK						
Apples, dried.....	Section 32.	2,064,320 pounds.....	59	166,309.92	25,030.36	191,340.28
Apples, fresh.....	do.....	1,070,478 bushels.....	1,948	673,822.48	230,224.45	904,046.93
Beans, dried.....	do.....	3,300,000 pounds.....	66	114,425.00	21,120.00	135,545.00
Butter.....	do.....	2,629,768 pounds.....	138	780,896.54	6,092.28	786,988.82
Eggs, shell.....	do.....	49,037 cases.....	123	291,801.18	7,335.89	299,137.07
Grapes.....	F. S. C. C.	834,000 pounds.....	33	11,476.50	5,637.62	17,114.12
Milk, dry skim.....	Section 32.	1,361,700 pounds.....	34	68,485.50	10,522.75	79,008.25
Pears, fresh.....	do.....	41,443 boxes.....	58	72,525.25	-----	72,525.25
Do.....	F. S. C. C.	11,483 boxes.....	15	20,095.25	-----	20,095.25
Potatoes, white.....	Section 32.	67,000 bushels.....	134	32,160.00	24,355.70	56,515.70
Total.....	-----	-----	2,608	2,231,997.62	330,319.05	2,562,316.67
WASHINGTON						
Apples, dried.....	Section 32.	8,357,700 pounds.....	141	722,188.25	59,820.68	782,008.93
Apples, fresh.....	do.....	773,528 bushels.....	1,011	443,108.04	119,484.03	562,592.07
Butter.....	do.....	164,560 pounds.....	9	44,118.40	397.32	44,515.72
Eggs, shell.....	do.....	12,312 cases.....	27	78,535.50	1,610.32	80,145.82
Milk, dry skim.....	do.....	48,000 pounds.....	8	27,201.60	2,475.94	29,677.54
Pears, fresh.....	do.....	91,418 boxes.....	149	81,422.70	48,485.23	129,907.93
Do.....	F. S. C. C.	1,800 boxes.....	2	1,800.00	668.80	2,468.80
Peas, canned.....	do.....	45,544 cases.....	45	67,615.41	7,287.04	74,902.45
Peas, dried.....	Section 32.	3,960,000 pounds.....	66	58,050.00	25,746.60	83,796.60
Prunes, dried.....	do.....	1,000,000 pounds.....	17	42,155.61	8,217.04	50,372.65
Total.....	-----	-----	1,475	1,566,195.51	274,193.00	1,840,388.51
ILLINOIS						
Apples, fresh.....	Section 32.	41,387 bushels.....	79	27,365.05	9,336.54	36,701.59
Butter.....	do.....	3,941,788 pounds.....	205	1,094,845.39	9,050.12	1,103,895.51
Eggs, shell.....	do.....	43,662 cases.....	111	274,646.59	6,620.19	281,266.78
Milk, dry skim.....	do.....	280,000 pounds.....	7	15,867.60	2,166.45	18,034.05
Pears, fresh.....	do.....	8,250 boxes.....	11	13,612.50	-----	13,612.50
Total.....	-----	-----	415	1,426,337.13	27,173.30	1,453,510.43
IDAHO						
Apples, dried.....	Section 32.	2,100,000 pounds.....	35	192,150.00	14,849.11	206,999.11
Apples, fresh.....	do.....	388,816 bushels.....	592	211,568.70	69,964.93	281,533.63
Beans, dried.....	do.....	10,440,000 pounds.....	174	274,320.00	55,680.00	330,000.00
Milk, dry skim.....	do.....	540,000 pounds.....	9	30,601.80	2,785.43	33,387.23
Peas, dried.....	do.....	2,040,000 pounds.....	34	31,200.00	13,263.40	44,463.40
Potato flour.....	do.....	1,681,680 pounds.....	42	63,063.00	16,884.00	79,947.00
Potatoes, white.....	do.....	1,431,961 bushels.....	2,385	492,907.97	433,495.16	926,403.13
Total.....	-----	-----	3,271	1,295,811.47	606,922.03	1,902,733.50

¹ States ranked according to total volume of commodity expenditure.

Exhibit 13.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1937, THROUGH MAY 6, 1938—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
LOUISIANA						
Cabbage.....	Section 32.	734,315 pounds.....	30	\$3,304.42	\$4,500.00	\$7,804.42
Cotton fabric.....	do.....	7,290 yards.....	(2)	1,166.40		1,166.40
Cottonseed oil, short.	F. S. C. C.	4,432,200 pounds.....	166	378,413.64	22,889.54	401,303.18
Rice, milled.....	Section 32.	28,960,000 pounds.....	579	664,785.00	136,121.23	800,906.23
Total.....			775	1,047,669.46	163,510.77	1,211,180.23
MICHIGAN						
Apples, fresh.....	Section 32.	626,161 bushels.....	1,175	380,256.75	138,867.20	519,123.95
Beans, dried.....	do.....	7,000,000 pounds.....	140	200,100.00	44,800.00	244,900.00
Eggs, shell.....	do.....	4,399 cases.....	11	28,384.31	656.06	29,040.37
Grapes.....	F. S. C. C.	9,650,000 pounds.....	402	134,729.59	68,676.43	203,406.02
Milk, dry skim.....	Section 32.	720,100 pounds.....	18	38,433.05	5,570.87	44,003.92
Peas, canned.....	F. S. C. C.	74,400 cases.....	74	109,746.43	11,904.00	121,650.43
Potato flour.....	Section 32.	80,040 pounds.....	2	3,501.60	804.00	4,305.60
Potatoes, white.....	do.....	107,443 bushels.....	179	54,362.65	32,534.86	86,897.51
Total.....			2,001	949,514.38	303,813.42	1,253,327.80
WISCONSIN						
Eggs, shell.....	Section 32.	7,200 cases.....	18	45,627.08	1,073.55	46,700.63
Milk, dry skim.....	do.....	2,240,000 pounds.....	56	119,195.60	17,331.57	136,527.17
Peas, canned.....	F. S. C. C.	537,389 cases.....	537	780,237.58	85,982.24	866,219.82
Potatoes, white.....	Section 32.	7,923 bushels.....	13	3,320.40	2,362.87	5,683.27
Total.....			624	948,380.66	106,750.23	1,055,130.89
VIRGINIA						
Apples, fresh.....	Section 32.	823,219 bushels.....	1,351	507,701.39	159,667.59	667,368.98
Peas, canned.....	F. S. C. C.	61,000 cases.....	61	61,993.24	9,760.00	71,753.24
Potatoes, sweet.....	Section 32.	336,436 bushels.....	509	96,590.18	51,620.17	148,210.35
Potatoes, white.....	do.....	395,061 bushels.....	647	181,042.50	117,598.05	298,640.55
Total.....			2,568	847,327.31	338,645.81	1,185,973.12
ARKANSAS						
Apples, fresh.....	Section 32.	87,656 bushels.....	168	52,593.60	19,854.92	72,448.52
Eggs, shell.....	do.....	4,400 cases.....	11	23,630.96	656.06	24,287.02
Rice, milled.....	do.....	23,700,000 pounds.....	474	559,673.00	111,436.03	671,109.03
Total.....			653	635,897.56	131,947.01	767,844.57
FLORIDA						
Celery.....	Section 32.	184,475 crates.....	501	185,416.25	138,356.25	323,772.50
Oranges.....	do.....	769,990 boxes.....	2,043	449,628.50	508,963.00	958,591.50
Total.....			2,644	635,044.75	647,319.25	1,282,364.00
TEXAS						
Cottonseed oil, short.	F. S. C. C.	534,000 pounds.....	20	46,977.87	2,757.78	49,735.65
Eggs, shell.....	Section 32.	14,900 cases.....	37	78,948.51	2,206.73	81,155.24
Rice, milled.....	do.....	16,770,000 pounds.....	335	383,420.50	78,757.53	462,178.03
Total.....			392	509,346.88	83,722.04	593,068.92
NEW JERSEY						
Apples, fresh.....	Section 32.	38,264 bushels.....	69	23,569.10	8,154.70	31,723.80
Eggs, shell.....	do.....	49,356 cases.....	124	318,191.04	7,395.53	325,586.57
Peas, canned.....	F. S. C. C.	7,281 cases.....	7	8,855.75	1,164.96	10,020.71
Potatoes, sweet.....	Section 32.	27,000 bushels.....	45	16,200.00	4,563.67	20,763.67
Potatoes, white.....	do.....	164,500 bushels.....	329	78,960.00	59,798.70	138,758.70
Total.....			574	445,775.89	81,077.56	526,853.45

² Less than carlot.

Exhibit 13.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1937, THROUGH MAY 6, 1938—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
OHIO						
Apples, fresh.....	Section 32.	511,315 bushels.....	954	\$317,668.67	\$112,747.54	\$430,416.21
Eggs, shell.....	do.....	12,000 cases.....	30	77,417.23	1,789.24	79,206.47
Grapes.....	F. S. C. C.	1,262,000 pounds....	49	16,630.50	8,371.00	25,001.50
Peas, canned.....	do.....	9,258 cases.....	9	13,076.78	1,481.28	14,558.06
Total.....			1,042	424,793.18	124,389.06	549,182.24
MARYLAND						
Apples, fresh.....	Section 32.	90,460 bushels.....	153	53,034.46	18,082.16	71,116.62
Cotton fabric.....	do.....	90,663 yards.....	(2)	14,269.74		14,269.74
Cottonseed oil, short.	F. S. C. C.	694,200 pounds.....	25	60,290.69	3,447.22	63,737.91
Eggs, shell.....	Section 32.	1,600 cases.....	4	10,510.96	238.57	10,749.53
Milk, dry skim.....	do.....	640,000 pounds.....	16	30,400.00	4,951.88	35,351.88
Peas, canned.....	F. S. C. C.	96,032 cases.....	96	127,602.01	15,365.12	142,967.13
Potatoes, sweet.....	Section 32.	14,168 bushels.....	22	4,705.22	2,231.13	6,936.35
Potatoes, white.....	do.....	37,563 bushels.....	61	17,178.00	11,087.30	28,265.30
Total.....			377	317,991.08	55,403.38	373,394.46
NEW HAMPSHIRE						
Apples, fresh.....	Section 32.	12,517 bushels.....	21	5,079.90	2,481.87	7,561.77
Milk, fluid.....	F. S. C. C.	4,341,012 quarts.....	(2)	308,011.12		308,011.12
Total.....			21	313,091.02	2,481.87	315,572.89
VERMONT						
Apples, fresh.....	Section 32.	32,237 bushels.....	56	15,415.55	6,618.31	22,033.86
Milk, fluid.....	F. S. C. C.	4,207,164 quarts.....	(2)	294,635.31		294,635.31
Total.....			56	310,050.86	6,618.31	316,669.17
PENNSYLVANIA						
Apples, fresh.....	Section 32.	325,840 bushels.....	545	212,039.34	64,410.28	276,449.62
Eggs, shell.....	do.....	2,000 cases.....	5	13,138.70	298.21	13,436.91
Grapes.....	F. S. C. C.	4,084,000 pounds....	163	56,170.64	27,846.38	84,017.02
Milk, dry skim.....	Section 32.	280,000 pounds.....	7	15,867.60	2,166.45	18,034.05
Peas, canned.....	F. S. C. C.	1,000 cases.....	1	1,666.28	160.00	1,826.28
Total.....			721	298,882.56	94,881.32	393,763.88
INDIANA						
Apples, fresh.....	Section 32.	50,123 bushels.....	97	31,841.30	11,465.85	43,305.15
Eggs, shell.....	do.....	2,000 cases.....	5	13,138.70	298.21	13,436.91
Milk, dry skim.....	do.....	120,000 pounds.....	3	6,800.40	928.48	7,728.88
Peas, canned.....	F. S. C. C.	16,410 cases.....	16	187,182.20	2,625.60	189,807.60
Total.....			121	238,962.60	15,316.14	254,278.74
MINNESOTA						
Eggs, shell.....	Section 32.	4,000 cases.....	10	26,277.40	596.41	26,873.81
Milk, dry skim.....	do.....	760,450 pounds.....	19	38,888.25	5,880.36	44,768.61
Peas, canned.....	F. S. C. C.	4,450 cases.....	4	6,748.96	712.00	7,460.96
Potatoes, white.....	Section 32.	435,213 bushels.....	725	145,209.30	131,775.25	276,984.55
Total.....			758	217,123.91	138,964.02	356,087.93
TENNESSEE						
Cottonseed oil, short.	F. S. C. C.	1,602,000 pounds....	60	135,913.99	8,273.33	144,187.32
Eggs, shell.....	Section 32.	10,800 cases.....	27	70,948.99	1,610.32	72,559.31
Total.....			87	206,862.98	9,883.65	216,746.63

¹ Less than carlot.

Exhibit 13.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1937, THROUGH MAY 6, 1938—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
GEORGIA						
Cotton fabric.....	Section 32.	308,521 yards.....	(²)	\$33,601.95		\$33,601.95
Cottonseed oil, short.	F. S. C. C.	1,441,800 pounds....	54	124,244.83	\$7,446.00	131,690.83
Eggs, shell.....	Section 32.	3,600 cases.....	9	23,649.66	536.77	24,186.43
Watermelons.....	State.....	13,545 melons.....	16	577.89		577.89
Total.....			79	182,074.33	7,982.77	190,057.10
OREGON						
Butter.....	Section 32.	98,800 pounds.....	5	27,489.00	220.73	27,709.73
Eggs, shell.....	do.....	3,299 cases.....	7	21,065.45	417.49	21,482.94
Filberts.....	State.....	500 pounds.....	(²)	65.00		65.00
Milk, dry skim.....	Section 32.	160,000 pounds.....	3	8,600.40	928.48	9,528.88
Pears, fresh.....	do.....	28,076 boxes.....	38	28,076.00	9,913.04	37,989.04
Do.....	State.....	180 boxes.....	(²)	288.00		288.00
Do.....	F. S. C. C.	1,800 boxes.....	3	1,800.00	1,003.20	2,803.20
Potatoes, white.....	Section 32.	127,200 bushels.....	211	40,213.80	38,351.14	78,564.94
Prunes, dried.....	do.....	1,000,000 pounds....	16	42,155.60	7,733.69	49,889.29
Walnuts, English.....	State.....	1,000 pounds.....	(²)	115.00		115.00
Total.....			283	169,868.25	58,567.77	228,436.02
MAINE						
Apples, fresh.....	Section 32.	11,939 bushels.....	20	4,534.60	2,363.68	6,898.28
Potato starch.....	do.....	800,000 pounds.....	20	36,000.00	3,870.00	39,870.00
Potatoes, white.....	do.....	302,667 bushels.....	454	113,930.02	82,518.57	196,448.59
Total.....			494	154,464.62	88,752.25	243,216.87
NORTH DAKOTA						
Potatoes, white.....	Section 32.	440,133 bushels.....	734	149,393.35	133,411.08	282,804.43
WEST VIRGINIA						
Apples, dried.....	do.....	45,480 pounds.....	1	3,683.88	424.26	4,108.14
Apples, fresh.....	do.....	238,802 bushels.....	395	135,271.44	46,682.68	181,954.12
Total.....			396	138,955.32	47,106.94	186,062.26
NEBRASKA						
Beans, dried.....	Section 32.	540,000 pounds.....	9	15,090.00	2,880.00	17,970.00
Eggs, shell.....	do.....	8,000 cases.....	20	52,554.80	1,192.83	53,747.63
Milk, dry skim.....	do.....	120,000 pounds.....	3	5,400.00	928.48	6,328.48
Potatoes, white.....	do.....	181,797 bushels.....	303	58,263.15	55,072.97	113,336.12
Total.....			335	131,307.95	60,074.28	191,382.23
UTAH						
Apples, fresh.....	Section 32.	20,029 bushels.....	28	10,539.75	3,309.15	13,848.90
Eggs, shell.....	do.....	1,800 cases.....	3	11,824.80	178.92	12,003.72
Milk, dry skim.....	do.....	40,000 pounds.....	1	1,912.00	309.48	2,221.48
Peas, canned.....	F. S. C. C.	2,500 cases.....	2	3,915.71	400.00	4,315.71
Potatoes, white.....	Section 32.	41,677 bushels.....	70	14,737.00	12,723.13	27,460.13
Tomatoes, canned.....	F. S. C. C.	50,000 cases.....	40	87,500.00	14,651.95	102,151.95
Total.....			144	130,429.26	31,572.63	162,001.89
MISSOURI						
Apples, fresh.....	Section 32.	55,366 bushels.....	105	33,433.80	12,409.32	45,843.12
Eggs, shell.....	do.....	12,179 cases.....	31	73,053.45	1,848.88	74,902.33
Milk, dry skim.....	do.....	240,000 pounds.....	6	13,600.80	1,856.96	15,457.76
Total.....			142	120,088.05	16,115.16	136,203.21

* Less than carlot.

Exhibit 13.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1937, THROUGH MAY 6, 1938—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
ARIZONA						
Grapefruit.....	Section 32	206,820 boxes.....	417	\$112, 168. 38	\$83, 400. 00	\$195, 568. 38
Oranges.....	do.....	3,600 boxes.....	5	1, 818. 00	1, 188. 00	3, 006. 00
Total.....			422	113, 986. 38	84, 588. 00	198, 574. 38
COLORADO						
Apples, fresh.....	Section 32	1,290 bushels.....	2	774. 00	236. 37	1, 010. 37
Beans, fresh green.....	State.....	44,970 pounds.....	3	562. 12		562. 12
Cabbage.....	do.....	100,120 pounds.....	4	250. 30		250. 30
Eggs, shell.....	Section 32	4,000 cases.....	10	26, 020. 13	596. 41	26, 616. 54
Potatoes, white.....	do.....	233,737 bushels.....	390	82, 748. 35	70, 886. 00	153, 634. 35
Total.....			409	110, 354. 90	71, 718. 78	182, 073. 68
WYOMING						
Beans, dried.....	Section 32	2,460,000 pounds.....	41	67, 650. 00	13, 120. 00	80, 770. 00
Peas, canned.....	F. S. C. C.	2,000 cases.....	2	2, 832. 57	320. 00	3, 152. 57
Potatoes, white.....	Section 32	32,400 bushels.....	54	10, 836. 00	9, 814. 98	20, 650. 98
Total.....			97	81, 318. 57	23, 254. 98	104, 573. 55
DELAWARE						
Apples, fresh.....	Section 32	51,754 bushels.....	95	31, 663. 35	11, 227. 48	42, 890. 85
Peas, canned.....	F. S. C. C.	1,000 cases.....	1	1, 666. 28	160. 00	1, 826. 28
Potatoes, sweet.....	Section 32	62,700 bushels.....	121	31, 350. 00	12, 271. 20	43, 621. 20
Total.....			217	64, 679. 63	23, 658. 68	88, 338. 31
MISSISSIPPI						
Cabbage.....	Section 32	9,168,325 pounds.....	397	62, 629. 56	59, 550. 00	122, 179. 56
NORTH CAROLINA						
Apples, fresh.....	do.....	7,277 bushels.....	12	2, 095. 78	1, 418. 21	3, 513. 99
Cabbage.....	do.....	3,548,827 pounds.....	140	16, 902. 97	21, 000. 00	37, 902. 97
Cotton fabric.....	do.....	94,876 yards.....	(2)	9, 137. 30		9, 137. 30
Potatoes, sweet.....	State.....	42,232 bushels.....	70	19, 544. 40		19, 544. 40
Potatoes, white.....	Section 32	12,586 bushels.....	21	5, 790. 00	3, 816. 94	9, 606. 94
Total.....			243	53, 470. 45	26, 235. 15	79, 705. 60
MONTANA						
Apples, fresh.....	Section 32	38,205 bushels.....	50	20, 941. 20	5, 909. 20	26, 850. 40
Beans, dried.....	do.....	60,000 pounds.....	1	1, 530. 00	320. 00	1, 850. 00
Peas, canned.....	F. S. C. C.	1,948 cases.....	2	2, 330. 36	311. 68	2, 642. 04
Potatoes, white.....	Section 32	78,000 bushels.....	130	26, 280. 00	23, 628. 67	49, 908. 67
Do.....	State.....	3,992 bushels.....	7	1, 765. 50		1, 765. 50
Total.....			190	52, 847. 06	30, 169. 55	83, 016. 61
OKLAHOMA						
Apples, fresh.....	Section 32	54,897 bushels.....	73	30, 370. 00	8, 627. 43	38, 997. 43
Potatoes, white.....	do.....	26,420 bushels.....	66	11, 589. 00	11, 996. 09	23, 885. 09
Total.....			139	42, 259. 00	20, 623. 52	62, 882. 52
MASSACHUSETTS						
Apples, fresh.....	Section 32	73,958 bushels.....	130	32, 686. 30	15, 363. 92	48, 050. 22
KANSAS						
Eggs, shell.....	do.....	3,200 cases.....	8	20, 636. 02	477. 13	21, 113. 15
Potatoes, white.....	do.....	14,152 bushels.....	27	6, 368. 25	4, 907. 49	11, 275. 74
Total.....			35	27, 004. 27	5, 384. 62	32, 388. 89

² Less than carlot.

Exhibit 13.—PURCHASES BY THE FEDERAL SURPLUS COMMODITIES CORPORATION, ETC., JULY 1, 1937, THROUGH MAY 6, 1938—Continued

State and commodity purchased	Source of funds	Quantity purchased		Expenditure		
		Commercial units	Carlot equivalents	Commodity	Transportation	Total
SOUTH CAROLINA						
Cabbage.....	Section 32.	4,222,677 pounds...	198	\$25,080.91	\$29,700.00	\$54,780.91
Cotton fabric.....	do.....	4,392 yards.....	(²)	389.50		389.50
Watermelons.....	State.....	320 melons.....	(²)	20.80		20.80
Total.....			198	25,491.21	29,700.00	55,191.21
ALABAMA						
Cabbage.....	Section 32.	1,278,500 pounds...	47	7,463.75	7,050.00	14,513.75
Cotton fabric.....	do.....	120,359 yards.....	(²)	6,920.80		6,920.80
Total.....			47	14,384.55	7,050.00	21,434.55
CONNECTICUT						
Apples, fresh.....	Section 32.	22,719 bushels.....	38	10,615.60	4,490.99	15,106.59
Cotton fabric.....	do.....	20,363 yards.....	(²)	1,374.45		1,374.45
Total.....			38	11,990.05	4,490.99	16,481.04
IOWA						
Eggs, shell.....	Section 32.	1,600 cases.....	4	9,996.43	238.57	10,235.00
DISTRICT OF COLUMBIA						
Cotton fabric.....	do.....	9,533 yards.....	(²)	1,030.80		1,030.80
Eggs, shell.....	do.....	1,200 cases.....	3	7,883.22	178.92	8,062.14
Total.....			3	8,914.02	178.92	9,092.94
NEVADA						
Potatoes, white.....	Section 32.	25,200 bushels.....	42	7,560.00	7,633.88	15,193.88
KENTUCKY						
Apples, fresh.....	do.....	6,196 bushels.....	13	4,647.00	1,536.39	6,183.39
Total, United States.....			30,691	21,964,324.68	5,604,472.60	27,568,797.28

¹ Less than carlot.

² Total expenditures by funds: Section 32, \$24,137,145.61; Federal Surplus Commodities Corporation \$3,363,462.66; State, \$68,189.01.

Appendix E.—DISBURSEMENTS BY THE AGRICULTURAL ADJUSTMENT ADMINISTRATION, JANUARY 1, 1937, THROUGH JUNE 30, 1938, BY STATES, COMMODITIES, AND OBJECTIVES

Exhibit 14.—AGRICULTURAL CONSERVATION PAYMENTS JAN. 1, 1937, THROUGH JUNE 30, 1938

1936 PROGRAM

	Total	Performance payments	County as- sociations	Naval stores
Southern Region:				
South Carolina.....	\$7,356,317.03	\$7,346,933.85	-----	\$9,383.18
Georgia.....	9,651,833.01	9,538,910.10	-----	112,922.91
Florida.....	1,076,124.65	1,019,035.77	-----	57,088.88
Alabama.....	9,801,527.81	9,801,477.81	-----	50.00
Mississippi.....	10,161,361.68	10,161,361.68	-----	-----
Arkansas.....	10,133,354.79	10,133,354.79	-----	-----
Louisiana.....	6,677,762.87	6,677,762.87	-----	-----
Oklahoma.....	13,737,394.92	13,737,394.92	-----	-----
Texas.....	34,799,111.79	34,799,111.79	-----	-----
Total.....	103,394,788.55	103,215,343.58	-----	179,444.97
East Central Region:				
Maryland.....	1,308,684.58	1,299,854.18	\$8,830.40	-----
Delaware.....	169,926.20	167,454.70	2,471.50	-----
Virginia.....	3,059,187.62	3,031,346.82	27,840.80	-----
West Virginia.....	590,545.11	576,105.63	14,439.48	-----
North Carolina.....	11,681,941.26	11,579,376.89	102,564.37	-----
Kentucky.....	10,020,658.80	9,956,275.72	64,383.08	-----
Tennessee.....	7,824,960.71	7,764,784.22	60,176.49	-----
Total.....	34,655,904.28	34,375,198.16	280,706.12	-----
Northeast Region:				
Maine.....	117,771.07	117,771.07	-----	-----
New Hampshire.....	43,212.23	43,212.23	-----	-----
Vermont.....	112,850.38	112,850.38	-----	-----
Massachusetts.....	70,100.32	70,100.32	-----	-----
Rhode Island.....	8,868.06	8,868.06	-----	-----
Connecticut.....	274,000.45	274,000.45	-----	-----
New York.....	1,257,660.96	1,257,660.96	-----	-----
New Jersey.....	77,657.56	77,657.56	-----	-----
Pennsylvania.....	1,248,764.42	1,248,764.42	-----	-----
Total.....	3,210,885.45	3,210,885.45	-----	-----
North Central Region:				
Ohio.....	8,112,080.04	7,344,008.28	768,071.76	-----
Indiana.....	8,968,762.68	8,718,204.33	250,558.35	-----
Illinois.....	14,293,448.44	13,901,786.41	391,662.03	-----
Michigan.....	6,367,127.42	5,919,083.32	448,044.10	-----
Wisconsin.....	10,067,234.53	9,710,165.86	357,068.67	-----
Minnesota.....	16,437,794.74	16,254,003.49	183,791.25	-----
Iowa.....	23,651,828.67	23,338,553.16	313,275.51	-----
Missouri.....	12,227,801.08	11,666,597.33	561,203.75	-----
South Dakota.....	13,891,418.16	13,717,298.41	174,119.75	-----
Nebraska.....	13,985,592.33	13,656,308.63	329,283.70	-----
Total.....	128,003,088.09	124,226,009.22	3,777,078.87	-----
Western Region:				
North Dakota.....	18,296,342.74	18,134,219.74	162,123.00	-----
Kansas.....	16,156,828.18	15,786,176.25	370,651.93	-----
Montana.....	6,527,205.51	6,401,556.95	125,648.56	-----
Idaho.....	2,689,477.99	2,583,691.82	105,786.17	-----
Wyoming.....	1,066,958.11	1,040,316.37	26,641.74	-----
Colorado.....	4,219,489.68	4,124,691.10	94,798.58	-----
New Mexico.....	2,651,662.85	2,599,971.38	51,691.47	-----
Arizona.....	1,046,687.01	1,036,826.13	9,860.88	-----
Utah.....	758,407.91	734,091.11	24,316.80	-----
Nevada.....	125,242.46	124,552.90	689.56	-----
Washington.....	2,368,268.94	2,329,186.02	39,082.92	-----
Oregon.....	1,851,303.60	1,817,305.35	33,998.25	-----
California.....	4,196,269.75	4,040,438.12	155,831.63	-----
Total.....	61,954,144.73	60,753,023.24	1,201,121.49	-----

Exhibit 14.—AGRICULTURAL CONSERVATION PAYMENTS JAN. 1, 1937, THROUGH JUNE 30, 1938—Continued

1936 PROGRAM—Continued

	Total	Performance payments	County as- sociations	Naval stores
Insular Region:				
Alaska.....	\$1,005.00	\$1,005.00	-----	-----
Hawaii.....	577,288.47	577,288.47	-----	-----
Puerto Rico.....	993,344.06	993,344.06	-----	-----
Total.....	1,571,637.53	1,571,637.53	-----	-----
Undistributed.....	—(49,983.12)	—(49,983.12)	-----	-----
Grand total.....	\$332,740,465.51	\$327,302,114.06	\$5,258,906.48	\$179,444.97

1937 PROGRAM

	Total	Performance payments	County asso- ciations	Grants of aid	Prelimi- nary per- formance payments	Naval stores
Southern Region:						
South Carolina.....	\$4,951,897.10	\$4,643,898.30	\$299,267.64	-----	-----	\$8,731.16
Georgia.....	4,723,907.17	4,068,888.67	473,647.86	-----	-----	181,370.64
Florida.....	1,380,150.30	1,117,576.02	119,226.34	-----	-----	143,347.94
Alabama.....	4,139,879.31	3,633,334.55	484,877.96	-----	-----	21,666.80
Mississippi.....	8,513,125.32	8,133,667.77	377,688.34	-----	-----	1,769.21
Arkansas.....	8,611,847.02	8,237,042.55	374,804.47	-----	-----	-----
Louisiana.....	4,655,623.75	4,334,358.24	319,803.46	-----	-----	1,462.05
Oklahoma.....	11,581,297.22	10,755,266.59	555,240.74	-----	\$270,789.89	-----
Texas.....	31,782,640.06	30,626,238.74	1,016,807.75	-----	138,366.13	1,227.44
Total.....	80,340,367.25	75,550,271.43	4,021,364.56	-----	409,156.02	359,575.24
East Central Region:						
Maryland.....	1,244,261.99	1,146,132.57	98,129.42	-----	-----	-----
Delaware.....	463,143.77	435,673.50	27,470.27	-----	-----	-----
Virginia.....	2,640,187.27	2,282,007.00	341,469.92	\$16,710.35	-----	-----
West Virginia.....	1,044,128.42	839,837.93	203,014.05	1,276.41	-----	-----
North Carolina.....	8,356,454.82	7,689,782.52	654,739.78	11,932.52	-----	-----
Kentucky.....	10,375,312.59	9,095,766.00	681,151.99	598,394.60	-----	-----
Tennessee.....	6,615,655.26	5,951,985.58	495,851.47	167,818.21	-----	-----
Total.....	30,739,144.12	27,441,185.10	2,501,826.93	796,132.09	-----	-----
Northeast Region:						
Maine.....	841,652.92	752,663.29	88,989.63	-----	-----	-----
New Hampshire.....	194,434.55	166,550.17	27,884.38	-----	-----	-----
Vermont.....	445,959.97	409,481.29	36,478.68	-----	-----	-----
Massachusetts.....	365,218.19	324,502.02	40,716.17	-----	-----	-----
Rhode Island.....	25,121.50	22,146.14	2,975.36	-----	-----	-----
Connecticut.....	336,942.93	305,255.54	31,687.39	-----	-----	-----
New York.....	3,814,230.34	3,537,356.85	276,873.49	-----	-----	-----
New Jersey.....	916,791.66	831,320.32	85,471.34	-----	-----	-----
Pennsylvania.....	3,295,742.97	2,922,485.10	373,257.87	-----	-----	-----
Total.....	10,236,095.03	9,271,760.72	964,334.31	-----	-----	-----
North Central Region:						
Ohio.....	5,341,100.44	4,165,590.70	1,175,539.74	-----	-----	-----
Indiana.....	5,631,418.77	4,605,971.75	1,025,447.02	-----	-----	-----
Illinois.....	8,065,580.77	6,732,665.86	1,332,914.91	-----	-----	-----
Michigan.....	5,513,638.86	4,616,960.72	896,678.14	-----	-----	-----
Wisconsin.....	7,629,089.87	6,598,901.71	1,030,188.16	-----	-----	-----
Minnesota.....	12,355,412.44	11,157,283.65	1,198,128.79	-----	-----	-----
Iowa.....	16,399,838.92	14,833,287.95	1,566,550.97	-----	-----	-----
Missouri.....	7,602,357.37	6,119,933.63	1,482,423.74	-----	-----	-----
South Dakota.....	13,025,265.81	12,105,407.06	919,858.75	-----	-----	-----
Nebraska.....	10,692,366.56	9,520,063.70	1,172,302.86	-----	-----	-----
Total.....	92,256,069.81	80,456,036.73	11,800,033.08	-----	-----	-----

**Exhibit 14.—AGRICULTURAL CONSERVATION PAYMENTS JAN. 1, 1937,
THROUGH JUNE 30, 1938—Continued**

1937 PROGRAM—Continued

	Total	Performance payments	County asso- ciations	Grants of aid	Prelimi- nary per- formance payments	Naval stores
Western Region:						
North Dakota.....	\$13, 141, 668. 61	\$11, 940, 672. 73	\$1, 200, 995. 88	-----	-----	-----
Kansas.....	14, 760, 987. 15	13, 497, 567. 98	981, 052. 74	-----	\$282, 366. 43	-----
Montana.....	6, 964, 577. 91	6, 444, 594. 24	519, 983. 67	-----	-----	-----
Idaho.....	1, 587, 191. 83	1, 236, 337. 15	350, 854. 68	-----	-----	-----
Wyoming.....	1, 481, 955. 75	1, 281, 392. 18	200, 563. 57	-----	-----	-----
Colorado.....	3, 681, 905. 62	3, 240, 471. 89	373, 709. 84	-----	67, 723. 89	-----
New Mexico.....	2, 391, 025. 58	2, 106, 192. 56	249, 291. 34	-----	35, 541. 68	-----
Arizona.....	1, 085, 112. 50	987, 835. 09	97, 277. 41	-----	-----	-----
Utah.....	732, 067. 83	603, 010. 90	129, 056. 93	-----	-----	-----
Nevada.....	157, 264. 61	92, 476. 23	64, 788. 38	-----	-----	-----
Washington.....	1, 776, 534. 11	1, 545, 997. 80	230, 536. 31	-----	-----	-----
Oregon.....	2, 341, 894. 68	2, 064, 355. 60	277, 539. 08	-----	-----	-----
California.....	5, 378, 391. 33	4, 673, 283. 94	705, 107. 39	-----	-----	-----
Total.....	55, 480, 577. 51	49, 714, 188. 29	5, 380, 757. 22	-----	385, 632. 00	-----
Insular Region:						
Alaska.....	2, 296. 49	2, 296. 49	-----	-----	-----	-----
Hawaii.....	616, 819. 04	616, 819. 04	-----	-----	-----	-----
Total.....	619, 115. 53	619, 115. 53	-----	-----	-----	-----
Grand total.....	269, 671, 369. 25	243, 052, 557. 80	24, 668, 316. 10	\$796, 132. 09	794, 788. 02	\$359, 575. 24

1938 PROGRAM

	Total	County asso- ciations	Grants of aid
Southern Region:			
South Carolina.....	\$100, 184. 59	\$100, 184. 59	-----
Georgia.....	201, 274. 28	201, 274. 28	-----
Florida.....	34, 391. 76	34, 391. 76	-----
Alabama.....	165, 005. 19	165, 005. 19	-----
Mississippi.....	128, 425. 09	128, 425. 09	-----
Arkansas.....	120, 670. 49	120, 670. 49	-----
Louisiana.....	90, 537. 67	90, 537. 67	-----
Oklahoma.....	151, 297. 32	151, 297. 32	-----
Texas.....	251, 774. 24	251, 774. 24	-----
Total.....	1, 243, 560. 63	1, 243, 560. 63	-----
East Central Region:			
Maryland.....	25, 459. 17	25, 459. 17	-----
Delaware.....	4, 428. 85	4, 428. 85	-----
Virginia.....	78, 196. 34	78, 196. 34	-----
West Virginia.....	42, 070. 43	42, 070. 43	-----
North Carolina.....	236, 129. 16	236, 129. 16	-----
Kentucky.....	183, 494. 76	181, 832. 64	\$1, 662. 12
Tennessee.....	123, 834. 73	123, 834. 73	-----
Total.....	693, 613. 44	691, 951. 32	1, 662. 12
Northeast Region:			
Maine.....	9, 952. 89	9, 625. 54	327. 35
New Hampshire.....	5, 427. 37	5, 427. 37	-----
Vermont.....	8, 716. 14	8, 716. 14	-----
Massachusetts.....	6, 323. 84	6, 323. 84	-----
Rhode Island.....	1, 242. 06	1, 242. 06	-----
Connecticut.....	6, 214. 53	6, 214. 53	-----
New York.....	83, 378. 24	83, 378. 24	-----
New Jersey.....	29, 270. 28	29, 270. 28	-----
Pennsylvania.....	85, 777. 39	85, 777. 39	-----
Total.....	236, 302. 74	235, 975. 39	327. 35

**Exhibit 14.—AGRICULTURAL CONSERVATION PAYMENTS JAN. 1, 1937,
THROUGH JUNE 30, 1938—Continued**

1938 PROGRAM—Continued

	Total	County asso- ciations	Grants of aid
North Central Region:			
Ohio.....	\$280,483.77	\$280,483.77	-----
Indiana.....	281,944.59	281,944.59	-----
Illinois.....	405,074.28	405,074.28	-----
Michigan.....	185,808.94	185,808.94	-----
Wisconsin.....	218,541.17	218,541.17	-----
Minnesota.....	326,578.02	326,578.02	-----
Iowa.....	415,520.62	415,520.62	-----
Missouri.....	365,827.21	365,827.21	-----
South Dakota.....	223,488.53	223,488.53	-----
Nebraska.....	309,011.46	309,011.46	-----
Total.....	3,012,278.59	3,012,278.59	-----
Western Region:			
North Dakota.....	121,689.32	121,689.32	-----
Kansas.....	127,566.52	127,566.52	-----
Montana.....	69,412.43	69,412.43	-----
Idaho.....	34,536.98	34,536.98	-----
Wyoming.....	21,570.13	21,570.13	-----
Colorado.....	70,158.03	70,158.03	-----
New Mexico.....	46,677.42	46,677.42	-----
Arizona.....	28,428.87	28,428.87	-----
Utah.....	18,104.63	18,104.63	-----
Nevada.....	8,120.22	8,120.22	-----
Washington.....	36,581.81	36,581.81	-----
Oregon.....	53,256.45	53,256.45	-----
California.....	125,464.74	125,464.74	-----
Total.....	761,567.55	761,567.55	-----
Grand total.....	5,947,322.95	5,945,333.48	\$1,989.47

**Exhibit 15.—RENTAL AND BENEFIT PAYMENTS JAN. 1, 1937, THROUGH
JUNE 30, 1938, BY STATES AND COMMODITIES**

	Total	Cotton	Wheat	Tobacco
Alabama.....	\$30,891.11	\$15,468.04	-----	\$53.42
Arizona.....	10,250.92	2,745.37	\$7,666.85	-----
Arkansas.....	38,423.30	31,199.41	4,316.52	31.50
California.....	764,893.74	3,809.52	538,218.50	-----
Colorado.....	370,012.03	-----	281,050.03	-----
Connecticut.....	3,038.76	-----	-----	2,971.86
Delaware.....	68,547.86	-----	67,314.77	-----
Florida.....	6,590.18	262.50	-----	127.47
Georgia.....	23,301.61	10,328.97	845.56	2,643.01
Idaho.....	604,646.79	-----	592,991.45	-----
Illinois.....	321,645.55	11.64	272,774.11	-----
Indiana.....	162,610.35	-----	124,869.34	1,487.70
Iowa.....	185,398.25	-----	139,208.74	-----
Kansas.....	1,175,336.47	9.27	1,143,648.74	577.35
Kentucky.....	80,637.66	491.05	14,851.03	35,910.87
Louisiana.....	281,741.99	6,948.14	-----	-----
Maryland.....	136,516.00	-----	101,150.93	33,972.22
Massachusetts.....	1,688.48	-----	-----	1,152.82
Michigan.....	71,673.53	-----	36,406.52	-----
Minnesota.....	279,863.99	-----	187,238.33	1,307.12
Mississippi.....	20,464.98	7,669.53	-----	-----
Missouri.....	215,751.53	9,326.28	153,116.26	5,314.66
Montana.....	729,086.60	-----	702,085.58	-----
Nebraska.....	2,606,854.14	-----	2,505,092.01	-----
Nevada.....	2,062.55	-----	1,080.92	-----
New Hampshire.....	150.00	-----	-----	-----
New Jersey.....	1,133.63	-----	1,047.11	-----
New Mexico.....	61,640.23	990.23	59,621.23	-----
New York.....	26,200.62	-----	22,570.69	115.04
North Carolina.....	31,595.98	9,100.37	4,196.45	14,108.34
North Dakota.....	1,042,455.98	-----	898,133.53	-----

**Exhibit 15.—RENTAL AND BENEFIT PAYMENTS JAN. 1, 1937, THROUGH
JUNE 30, 1938, BY STATES AND COMMODITIES—Continued**

	Total	Cotton	Wheat	Tobacco
Ohio.....	\$84,890.07		\$53,299.10	\$11,317.84
Oklahoma.....	298,891.08	\$30,856.03	257,755.58	
Oregon.....	320,956.60		319,560.18	
Pennsylvania.....	64,185.13		59,522.41	2,091.37
Philippine Islands.....	17,215.55			
Puerto Rico.....	1,578,586.76			17,044.80
South Carolina.....	9,504.59	5,835.93		2,449.66
South Dakota.....	534,310.95		494,615.61	
Tennessee.....	71,407.96	9,175.29	16,448.96	36,530.80
Texas.....	488,285.29	96,801.61	380,714.19	
Utah.....	78,144.54		69,675.14	
Vermont.....	996.10			
Virginia.....	47,500.19	369.24	36,027.44	5,832.37
Washington.....	438,313.03		425,705.55	
West Virginia.....	29,974.90		27,494.25	799.31
Wisconsin.....	21,795.18		3,509.64	1,347.34
Wyoming.....	73,847.17		39,981.54	
Total.....	13,513,909.90	241,398.42	10,043,804.79	177,186.87
Undistributed.....	-50,226.76			
Total disbursed.....	13,463,683.14			

	Corn-hogs	Sugar	Rice	Peanuts	Rye
Alabama.....	\$1,860.17	\$13,140.15		\$369.33	
Arizona.....	-161.30				
Arkansas.....	1,828.70	.65	\$1,046.52		
California.....	4,113.90	218,751.82			
Colorado.....	26,188.86	62,609.34			\$163.80
Connecticut.....	66.90				
Delaware.....	1,233.09				
Florida.....	1,572.29	4,490.75		137.17	
Georgia.....	202.94	8,882.40		398.73	
Idaho.....	-1,511.27	13,166.61			
Illinois.....	46,570.28	806.89			1,482.63
Indiana.....	34,670.37	1,127.36			455.58
Iowa.....	45,469.66	719.85			
Kansas.....	24,993.52	6,069.79			37.80
Kentucky.....	29,384.71				
Louisiana.....	329.51	273,874.65	589.69		
Maryland.....	1,357.16				35.69
Massachusetts.....	535.66				
Michigan.....	2,803.99	32,411.81			51.21
Minnesota.....	34,934.24	3,242.45			53,141.85
Mississippi.....	575.81	12,219.64			
Missouri.....	47,498.28				496.05
Montana.....	2,047.51	23,595.19			1,358.32
Nebraska.....	82,704.38	13,315.25			5,742.50
Nevada.....	981.63				
New Hampshire.....	150.00				
New Jersey.....	86.52				
New Mexico.....	756.94	271.83			
New York.....	3,514.89				
North Carolina.....	3,120.55			1,070.27	
North Dakota.....	9,453.93	949.16			133,919.36
Ohio.....	14,205.83	6,024.38			42.92
Oklahoma.....	10,136.52			102.00	40.95
Oregon.....	1,268.40	128.02			
Pennsylvania.....	2,504.29				67.06
Philippine Islands.....		17,215.55			
Puerto Rico.....		1,561,541.96			
South Carolina.....	1,219.00				
South Dakota.....	27,706.45	4,453.27			7,535.62
Tennessee.....	9,218.35			34.56	
Texas.....	8,451.70	461.16	1,704.23	152.40	
Utah.....	565.53	7,903.87			
Vermont.....	996.10				
Virginia.....	5,065.98			205.16	
Washington.....	1,103.58	11,503.90			
West Virginia.....	1,681.34				
Wisconsin.....	4,344.84	12,593.36			
Wyoming.....	1,021.35	32,844.28			
Total.....	496,823.08	2,344,315.34	3,340.44	2,469.62	204,571.34

**Exhibit 16.—ADMINISTRATION OF 1937 PROGRAM UNDER THE SUGAR
ACT OF 1937, JAN. 1, 1937, THROUGH JUNE 30, 1938**

		<i>Performance payments</i>			<i>Performance payments</i>
North Central Region:			Western Region—Con.		
Ohio.....		\$128, 392. 18	Montana.....		\$834, 667. 80
Illinois.....		3, 668. 51	Idaho.....		55, 333. 06
Wisconsin.....		80, 849. 36	Wyoming.....		786, 481. 61
Minnesota.....		364, 354. 90	Colorado.....		441, 727. 13
South Dakota.....		83, 194. 17	Utah.....		50, 513. 07
Nebraska.....		777, 586. 67	Washington.....		97, 637. 39
			Oregon.....		99, 017. 76
Total.....		1, 438, 045. 79	California.....		1, 690, 833. 65
Western Region:			Total.....		4, 287, 360. 45
North Dakota.....		230, 889. 37			
Kansas.....		259. 61	Grand total.....		5, 725, 406. 24

**Exhibit 17.—PAYMENTS FOR PURCHASE AND DIVERSION OF AGRI-
CULTURAL COMMODITIES, JAN. 1, 1937, THROUGH JUNE 30, 1938**

		<i>Amount</i>			<i>Amount</i>
Commodities:			Commodities—Con.		
Apples.....		\$118, 494. 74	Peaches.....		\$14, 716. 41
Beans.....		6, 630. 27	Peanuts.....		2, 138, 306. 49
Cabbage.....		78, 217. 10	Pears.....		146, 896. 05
Cauliflower.....		22, 103. 86	Peas.....		140, 065. 88
Carrots.....		801. 18	Pecans.....		205, 617. 04
Cattle.....		4, 194. 89	Potatoes.....		1, 893, 372. 16
Citrus fruits.....		3, 309, 988. 67	Prunes.....		1, 558, 879. 69
Coffee.....		234, 767. 76	Raisins.....		81, 727. 28
Cotton.....		166, 782. 41	Seeds.....		103, 544. 81
Dairy products.....		4, 157, 245. 35	Sheep and goats.....		75. 00
Dates.....		69, 944. 53	Sweetpotatoes.....		7, 950. 92
Eggs.....		2, 182, 510. 29	Sirup.....		36, 743. 33
Figs.....		120, 818. 86	Tobacco.....		3, 086, 542. 84
Filberts.....		44, 426. 45	Walnuts.....		1, 215, 442. 05
Flax for fiber.....		58, 282. 56	Wheat.....		3, 326, 421. 26
Flour.....		188, 271. 92	Transportation.....		538, 700. 55
Hogs.....		28, 056. 63			
Hops.....		569, 905. 00	Total.....		26, 352, 120. 00
Onions.....		495, 675. 77			

Exhibit 18.—TOTAL EXPENDITURES JAN. 1, 1937, THROUGH JUNE 30, 1938, BY STATES

State:	Amount	State—Continued.	Amount
Washington, D. C.	\$12, 705, 436. 99	Nevada	\$350, 999. 95
Alabama	15, 239, 908. 78	New Hampshire	276, 629. 48
Alaska	4, 450. 36	New Jersey	1, 111, 462. 08
Arizona	2, 290, 256. 78	New Mexico	5, 330, 835. 49
Arkansas	20, 253, 763. 40	New York	5, 575, 006. 90
California	12, 477, 664. 76	North Carolina	20, 939, 369. 77
Colorado	9, 121, 381. 78	North Dakota	33, 184, 207. 74
Connecticut	665, 196. 36	Ohio	14, 335, 884. 52
Delaware	720, 976. 64	Oklahoma	26, 818, 201. 86
Florida	2, 806, 799. 93	Oregon	4, 882, 146. 68
Georgia	15, 683, 621. 79	Pennsylvania	5, 037, 531. 83
Hawaii	1, 219, 312. 91	Philippine Islands	40, 502. 67
Idaho	5, 170, 855. 33	Puerto Rico	2, 915, 059. 23
Illinois	23, 500, 501. 55	Rhode Island	41, 089. 25
Indiana	15, 447, 815. 06	South Carolina	13, 118, 054. 46
Iowa	41, 173, 961. 24	South Dakota	28, 182, 788. 23
Kansas	32, 600, 514. 60	Tennessee	14, 986, 073. 34
Kentucky	21, 040, 400. 21	Texas	70, 652, 887. 75
Louisiana	12, 591, 440. 17	Utah	1, 866, 157. 62
Maine	1, 039, 622. 19	Vermont	624, 997. 90
Maryland	2, 774, 700. 83	Virginia	6, 035, 305. 62
Massachusetts	499, 814. 83	Washington	4, 857, 145. 26
Michigan	12, 555, 000. 53	West Virginia	1, 755, 874. 31
Minnesota	30, 170, 048. 36	Wisconsin	18, 417, 813. 95
Mississippi	20, 077, 054. 25	Wyoming	3, 603, 562. 44
Missouri	20, 919, 681. 34	Undistributed	26, 246, 315. 36
Montana	15, 510, 938. 49		
Nebraska	28, 796, 597. 02	Total	688, 243, 617. 17

Exhibit 19.—GENERAL ADMINISTRATIVE EXPENSES, JAN. 1, 1937, THROUGH JUNE 30, 1938

BY OBJECTIVE CLASSIFICATION

	Total	Washington, D. C.	Field
Salaries	\$22, 981, 031. 61	\$9, 343, 093. 15	\$13, 637, 938. 46
Other expenses:			
Supplies	999, 439. 30	460, 691. 78	538, 747. 52
Communications	243, 537. 39	146, 606. 49	96, 930. 90
Travel	2, 123, 672. 36	757, 431. 56	1, 366, 240. 80
Transportation of things	407, 822. 47	273, 137. 62	134, 684. 85
Printing and binding ¹	2, 353, 185. 66	533, 951. 19	1, 819, 234. 47
Rents	422, 453. 59	110, 978. 50	311, 475. 09
Equipment	1, 020, 849. 70	191, 859. 14	828, 990. 56
Miscellaneous	1, 633, 312. 06	887, 687. 56	745, 624. 50
Total other expenses	9, 204, 272. 53	3, 362, 343. 84	5, 841, 928. 69
Total	32, 185, 304. 14	12, 705, 436. 99	19, 479, 867. 15

¹Including aerial photography.

**Exhibit 19.—GENERAL ADMINISTRATIVE EXPENSES, JAN. 1, 1937,
THROUGH JUNE 30, 1938—Continued**

BY AGRICULTURAL ADJUSTMENT ADMINISTRATION AND COOPERATING
AGENCIES

Agricultural Adjustment Administration.....	\$27,783,569.93	\$10,819,963.67	\$16,963,606.26
Bureau of Agricultural Economics.....	330,621.97	111,275.37	219,346.60
Bureau of Animal Industry.....	32,216.26	30,600.71	1,615.55
Bureau of Census.....	25,924.00	25,924.00	-----
Extension Service.....	2,191,756.36	52,130.56	2,139,625.80
Farm Credit Administration.....	3,600.00	3,600.00	-----
Forest Service.....	169,020.46	13,347.52	155,672.94
Bureau of Home Economics.....	10,648.69	10,648.69	-----
Bureau of Internal Revenue.....	-670.92	-670.92	-----
Department of Justice.....	5,100.00	5,100.00	-----
Library.....	6,210.00	6,210.00	-----
Office of Information.....	20,657.27	20,657.27	-----
Office of Land Use Planning.....	4,347.63	4,347.63	-----
Office of Solicitor.....	544,593.67	544,593.67	-----
Bureau of Plant Industry.....	30,526.74	30,526.74	-----
Secretary's Office.....	399,406.96	399,406.96	-----
Soil Conservation Service.....	5,673.85	5,673.85	-----
General Accounting Office.....	198,014.02	198,014.02	-----
Treasury Department, Division of Disbursements.....	424,087.25	424,087.25	-----
Total.....	32,185,304.14	12,705,436.99	19,479,867.15

**Exhibit 20.—MISCELLANEOUS EXPENDITURES, JAN. 1, 1937, THROUGH
JUNE 30, 1938, BY STATES**

State:	Amount	State—Continued.	Amount
Alabama.....	\$52,750.83	New Mexico.....	\$10,109.73
Arizona.....	34,300.50	North Carolina.....	209,887.32
Arkansas.....	251,614.01	Ohio.....	5.70
California.....	57,982.61	Oklahoma.....	86,857.39
Florida.....	3,964.81	South Carolina.....	24,953.10
Georgia.....	42,571.28	Tennessee.....	44,270.63
Illinois.....	213.50	Texas.....	849,587.06
Kansas.....	2.03	Virginia.....	7,349.01
Kentucky.....	1,827.47	Undistributed.....	—17,599.22
Louisiana.....	141,741.54	Total.....	2,157,945.94
Mississippi.....	347,567.37		
Missouri.....	7,989.27		

Appendix F.—DATA ON PARTICIPATION AND ESTIMATED PAYMENTS EARNED, 1937 AGRICULTURAL CONSERVATION PROGRAM (PRELIMINARY)

Exhibit 21.—ESTIMATED PAYMENTS EARNED, BY CLASSES OF PAYMENT AND BY CROP CLASSIFICATIONS, 1937 AGRICULTURAL CONSERVATION PROGRAM, BY STATES AND REGIONS (PRELIMINARY)

[Figures in thousands of dollars, i. e., 000 omitted]

State and region	Class I payments							Class II	Total crop pay-ments	Range	Naval stores	Grand total
	General	Cot-ton	To-bacco	Pea-nuts	Rice	Sugar cane and beets	Total					
NORTHEAST REGION												
Maine.....	367						367	493	860			860
New Hampshire.....			(1)				(1)	191	191			191
Vermont.....			(1)				(1)	456	456			456
Massachusetts.....			54				54	312	366			366
Rhode Island.....								27	27			27
Connecticut.....			102				102	238	340			340
New York.....			7				7	3,925	3,932			3,932
New Jersey.....								931	931			931
Pennsylvania.....	426		92				518	2,799	3,317			3,317
Total.....	793		255				1,048	9,372	10,420			10,420
NORTH CENTRAL REGION												
Ohio.....	3,494		206			46	3,746	2,100	5,846			5,846
Indiana.....	4,284		70			8	4,362	1,767	6,129			6,129
Illinois.....	6,430	5				2	6,437	1,980	8,417			8,417
Michigan.....	3,394					162	3,556	2,512	6,068			6,068
Wisconsin.....	4,623		207			19	4,849	3,226	8,075			8,075
Missouri.....	6,437	432	49		1		6,919	2,393	9,312			9,312
South Dakota.....	8,771					25	8,796	3,701	12,497	788		13,285
Minnesota.....	10,249		3			65	10,317	2,375	12,692			12,692
Iowa.....	14,212					8	14,220	3,040	17,260			17,260
Nebraska.....	7,855					285	8,140	2,393	10,533	350		10,883
Total.....	69,749	437	535		1	620	71,342	25,487	96,829	1,138		97,967
EAST CENTRAL REGION												
Delaware.....	265						265	200	465			465
Maryland.....	619		125				744	685	1,429			1,429
Virginia.....	1,098	181	649	89			2,017	1,494	3,511			3,511
West Virginia.....	420		28				448	675	1,123			1,123
North Carolina.....	402	4,058	3,973	175			8,608	1,402	10,010			10,010
Kentucky.....	2,852	71	3,742				6,665	4,252	10,917			10,917
Tennessee.....	1,727	2,756	915	7			5,405	2,283	7,688			7,688
Total.....	7,383	7,066	9,432	271			24,152	10,991	35,143			35,143
SOUTHERN REGION												
South Carolina.....	244	4,603	542	27			5,416	602	6,018		9	6,027
Georgia.....	16	5,986	424	238			6,664	1,417	8,081		181	8,262
Florida.....	137	120	48	32		81	418	1,035	1,453		143	1,596
Alabama.....	97	6,916	1	138			7,152	1,302	8,454		22	8,476
Mississippi.....	3	7,645					7,648	1,855	9,503		2	9,505
Louisiana.....	28	3,884			1,104	619	5,635	922	6,557		1	6,558
Arkansas.....	645	6,175			578		7,398	1,685	9,083			9,083
Oklahoma.....	5,184	5,075		25			10,284	1,959	12,243	290		12,533
Texas.....	9,754	19,372			643	121	29,890	3,844	33,734	4,701	1	38,436
Total.....	16,108	59,776	1,015	460	2,325	821	80,505	14,621	95,126	4,991	359	100,476

¹ Less than \$500.

Exhibit 21.—ESTIMATED PAYMENTS EARNED, BY CLASSES OF PAYMENT AND BY CROP CLASSIFICATIONS, ETC.—Continued

[Figures in thousands of dollars, i. e., 000 omitted]

State and region	Class I payments						Class II	Total crop pay-ments	Range	Naval stores	Grand total
	General	Cot-ton	To-bacco	Pea-nuts	Rice	Sugar cane and beets						Total
WESTERN REGION											
Arizona-----	131	585					716	163	879	268	1, 147
California-----	1, 645	518			445	567	3, 175	2, 567	5, 742	283	6, 025
Colorado-----	2, 579					663	3, 242	1, 505	4, 747	197	4, 944
Idaho-----	1, 049					207	1, 256	610	1, 866	45	1, 911
Kansas-----	9, 778	1	1			19	9, 799	5, 341	15, 140	141	15, 281
Nevada-----	46						46	80	126	34	160
New Mexico-----	757	289				(1)	1, 046	772	1, 818	881	2, 699
North Dakota-----	11, 338					35	11, 373	2, 551	13, 924	67	13, 991
Oregon-----	1, 191					12	1, 203	1, 090	2, 293	174	2, 467
Washington-----	1, 063					23	1, 086	712	1, 798	53	1, 851
Montana-----	4, 251					347	4, 598	2, 410	7, 008	412	7, 420
Utah-----	350					189	539	365	904	25	929
Wyoming-----	555					231	786	404	1, 190	460	1, 650
Total-----	34, 733	1, 393	1		445	2, 293	38, 865	18, 570	57, 435	3, 040	60, 475
United States total-----	128, 766	68, 672	11, 238	731	2, 771	3, 734	215, 912	79, 041	294, 953	9, 169	359, 304, 481

¹ Less than \$500.

Exhibit 22.—DATA ON PARTICIPATION AND ESTIMATED TOTAL PAYMENTS, 1937 AGRICULTURAL CONSERVATION PROGRAM, BY STATES, TERRITORIES, AND REGIONS (PRELIMINARY)

State and region	Number of application farms ¹	Cropland on application	Total cropland acreage in State ²	Percent cropland covered	Base acreage on applications for payment	
					General	Cotton
Northeast Region:		<i>Acres</i>	<i>Acres</i>		<i>Acres</i>	<i>Acres</i>
Maine.....	10,661	732,888	1,476,422	49.6	225,115	-----
New Hampshire.....	5,378	224,184	469,076	47.8	94	-----
Vermont.....	6,437	477,656	1,162,726	41.1	41	-----
Massachusetts.....	7,310	253,120	635,548	39.8	7,750	-----
Rhode Island.....	514	22,836	81,554	28.0	-----	-----
Connecticut.....	4,935	225,705	563,359	40.1	9,506	-----
New York.....	48,935	3,879,818	8,846,756	43.9	4,698	-----
New Jersey.....	11,555	769,286	1,105,579	69.6	-----	-----
Pennsylvania.....	56,031	3,872,810	8,298,581	46.8	591,233	-----
Total.....	151,756	10,458,303	22,639,601	46.3	838,437	-----
North Central Region:						
Ohio.....	131,000	7,351,000	12,875,572	57.1	4,721,500	-----
Indiana.....	91,788	6,736,552	13,523,837	49.8	4,753,282	-----
Illinois.....	95,000	9,200,000	23,078,768	39.9	6,950,000	1,250
Michigan.....	127,200	8,045,066	10,731,946	75.0	4,485,014	-----
Wisconsin.....	148,000	9,985,699	11,578,447	86.2	6,145,247	-----
Missouri.....	160,615	11,497,040	16,054,617	71.6	7,816,460	195,489
South Dakota.....	81,801	14,130,336	16,842,968	83.9	12,507,664	-----
Minnesota.....	125,739	13,620,190	19,469,395	70.0	10,656,029	-----
Iowa.....	143,203	14,617,785	24,228,896	60.3	11,905,684	-----
Nebraska.....	88,250	12,615,038	20,446,092	61.7	11,055,168	-----
Total.....	1,192,596	107,798,706	168,830,538	63.9	80,996,048	196,739

¹ For the North Central Region, data are numbers of applications which exceed number of application farms.

² Includes rotation pasture. Computation was made as follows: For the Northeast Region, estimates of rotation pasture acreage in 1934, as made by the Economic and Research Section of the East Central Division, were added to 1934 Census cropland acreage; for the Southern Region, rotation pasture, as reported in the 1929 Census, was added to 1934 Census cropland acreage; for the North Central, East Central, and Western Regions, total cropland was obtained from worksheets, the county committees in those regions having been instructed to obtain a worksheet for every farm.

Exhibit 22.—DATA ON PARTICIPATION AND ESTIMATED TOTAL PAYMENTS, ETC.—Continued

State and region	Number of application farms	Cropland on application	Total cropland acreage in State	Percent cropland covered	Base acreage on applications for payment	
					General	Cotton
East Central Region:		<i>Acres</i>	<i>Acres</i>		<i>Acres</i>	<i>Acres</i>
Delaware.....	4,426	397,277	591,925	67.1	239,779	-----
Maryland.....	14,700	1,635,767	2,506,848	65.3	725,434	-----
Virginia.....	51,500	3,186,064	5,882,601	54.2	1,473,796	50,063
West Virginia.....	27,350	1,050,100	2,009,668	52.3	475,810	-----
North Carolina.....	108,000	5,275,947	8,131,128	64.9	1,898,300	1,066,655
Kentucky.....	120,000	9,171,417	11,135,952	82.4	3,064,350	19,831
Tennessee.....	87,000	6,093,746	9,876,361	61.7	2,239,378	833,954
Total.....	412,976	26,810,318	40,134,483	66.8	10,116,847	1,970,503
Southern Region:						
North Carolina.....	60,700	3,531,000	5,309,887	66.5	1,212,000	1,538,000
Georgia.....	91,100	6,561,000	10,890,102	60.2	2,293,000	2,447,000
Florida.....	24,700	1,356,000	2,181,676	62.2	578,000	78,000
Alabama.....	124,800	6,419,000	8,448,182	76.0	2,224,000	2,761,000
Mississippi.....	78,700	5,898,000	7,743,426	76.2	1,799,000	3,202,000
Louisiana.....	64,100	4,085,000	4,924,636	83.0	994,000	1,494,000
Arkansas.....	95,200	6,426,000	8,115,013	79.2	2,093,000	2,663,000
Oklahoma.....	97,700	9,658,000	17,172,008	56.2	5,641,000	2,288,000
Texas.....	191,200	22,974,000	35,924,410	64.0	11,603,000	9,691,000
Total.....	828,200	66,908,000	100,709,340	66.4	28,437,000	26,162,000
Western Region:						
Arizona.....	3,047	352,000	625,874	56.2	114,092	136,233
California.....	45,835	5,314,913	10,068,240	52.8	2,196,375	78,629
Colorado.....	38,959	6,288,781	9,024,820	69.7	4,927,744	-----
Idaho.....	18,696	1,944,331	3,404,000	57.1	1,327,836	-----
Kansas.....	101,168	16,900,000	29,172,975	57.9	14,941,343	575
Nevada.....	1,395	195,830	462,312	42.4	39,211	-----
New Mexico.....	15,904	1,526,866	2,455,731	62.2	1,233,922	87,730
North Dakota.....	100,765	21,095,534	24,886,664	84.8	16,868,646	-----
Oregon.....	22,164	2,682,638	3,678,363	72.9	2,007,804	-----
Washington.....	20,294	2,786,268	5,675,411	49.1	2,406,495	-----
Montana.....	40,912	9,110,907	10,690,657	85.2	7,362,262	-----
Utah.....	15,756	991,000	1,362,919	72.7	509,648	-----
Wyoming.....	9,614	1,464,946	2,083,825	70.3	833,292	-----
Total.....	434,509	70,654,014	103,591,791	68.2	54,768,670	303,167
Total, United States.....	3,020,037	282,629,341	435,905,753	64.8	175,157,002	28,632,409

State and region	Base acreage on applications for payment—Continued			Number of payees	Estimated total payments	Average payment per payee
	Tobacco	Peanuts	Total ²			
Northeast Region:	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>		<i>Dollars</i>	<i>Dollars</i>
Maine.....	-----	-----	225,115	10,740	860,000	80.08
New Hampshire.....	27	-----	121	5,397	191,000	35.45
Vermont.....	14	-----	55	6,522	456,000	69.93
Massachusetts.....	6,024	-----	13,774	7,336	366,000	49.95
Rhode Island.....	-----	-----	-----	514	27,000	53.35
Connecticut.....	10,915	-----	20,421	4,962	340,000	68.43
New York.....	606	-----	5,304	50,357	3,932,000	78.07
New Jersey.....	-----	-----	-----	12,290	931,000	75.72
Pennsylvania.....	14,459	-----	605,692	58,525	3,317,000	56.67
Total.....	32,045	-----	870,482	156,643	10,420,000	66.52

² Excludes rice, sugar beets, and sugarcane.

Exhibit 22.—DATA ON PARTICIPATION AND ESTIMATED TOTAL PAYMENTS, ETC.—Continued

State and region	Base acreage on applications for payment—Continued			Number of payees	Estimated total payments	Average payment per payee
	Tobacco	Peanuts	Total			
North Central Region:	<i>* Acres</i>	<i>Acres</i>	<i>Acres</i>		<i>Dollars</i>	<i>Dollars</i>
Ohio.....	21,750	-----	4,743,250	86,444	5,846,000	67.62
Indiana.....	8,576	-----	4,761,858	69,544	6,129,000	88.14
Illinois.....	-----	-----	6,951,250	71,489	8,417,000	117.74
Michigan.....	-----	-----	4,485,014	101,783	6,068,000	59.61
Wisconsin.....	21,865	-----	6,167,112	132,325	8,075,000	61.02
Missouri.....	4,221	-----	8,016,170	111,017	9,312,000	83.88
South Dakota.....	-----	-----	12,507,664	84,084	13,285,000	158.00
Minnesota.....	352	-----	10,656,381	115,564	12,692,000	109.83
Iowa.....	-----	-----	11,905,684	121,218	17,260,000	142.39
Nebraska.....	-----	-----	11,055,168	78,679	10,883,000	138.32
Total.....	56,764	-----	81,249,551	972,147	97,967,000	100.77
East Central Region:						
Delaware.....	-----	-----	239,779	5,931	465,000	78.36
Maryland.....	18,532	-----	743,966	17,346	1,429,000	82.37
Virginia.....	93,721	74,884	1,692,464	70,040	3,511,000	50.13
West Virginia.....	3,254	-----	479,064	28,718	1,123,000	39.11
North Carolina.....	493,161	130,755	3,558,371	192,240	10,010,000	52.07
Kentucky.....	437,105	-----	3,521,286	190,800	10,917,000	57.21
Tennessee.....	111,463	5,045	3,189,840	158,340	7,688,000	48.55
Total.....	1,157,236	210,684	13,455,270	663,415	35,143,000	52.50
Southern Region:						
South Carolina.....	52,000	4,000	2,806,000	93,000	6,027,000	64.80
Georgia.....	56,000	298,000	5,094,000	152,000	8,262,000	54.35
Florida.....	7,000	28,000	691,000	25,800	1,596,000	61.87
Alabama.....	200	192,000	5,177,200	192,500	8,476,000	44.03
Mississippi.....	-----	-----	5,001,000	203,300	9,505,000	46.75
Louisiana.....	-----	-----	2,488,000	127,000	6,558,000	51.64
Arkansas.....	-----	-----	4,756,000	174,200	9,083,000	52.14
Oklahoma.....	-----	19,000	7,948,000	141,800	12,533,000	88.39
Texas.....	-----	134,000	21,428,000	327,200	38,436,000	117.47
Total.....	115,200	675,000	55,389,200	1,436,800	100,476,000	69.68
Western Region:						
Arizona.....	-----	-----	250,325	3,293	1,147,000	348.40
California.....	-----	-----	2,275,004	49,708	6,025,000	121.21
Colorado.....	-----	-----	4,927,744	39,309	4,944,000	125.77
Idaho.....	-----	-----	1,327,836	19,357	1,911,000	98.72
Kansas.....	89	-----	14,942,007	103,858	15,281,000	147.13
Nevada.....	-----	-----	39,211	1,414	160,000	113.00
New Mexico.....	-----	-----	1,321,652	19,127	2,699,000	141.13
North Dakota.....	-----	-----	16,868,646	103,776	13,991,000	134.82
Oregon.....	-----	-----	2,007,804	23,627	2,467,000	104.41
Washington.....	-----	-----	2,406,495	21,003	1,851,000	88.11
Montana.....	-----	-----	7,362,262	44,413	7,420,000	167.08
Utah.....	-----	-----	509,648	15,806	929,000	58.76
Wyoming.....	-----	-----	833,292	11,777	1,650,000	140.06
Total.....	89	-----	55,071,926	456,468	60,475,000	132.48
Insular Region:						
Alaska.....	-----	-----	-----	126	3,000	20.12
Hawaii.....	-----	-----	-----	5,305	760,000	143.26
Puerto Rico.....	-----	-----	-----	53,000	1,500,000	28.30
Total.....	-----	-----	-----	58,431	2,263,000	38.72
Total, United States and Insular.....	1,361,334	885,684	206,036,429	3,743,904	306,744,000	81.93

Exhibit 23.—ESTIMATED NUMBER OF PAYEES RECEIVING NET PAYMENTS FALLING WITHIN SPECIFIED SIZE-OF-PAYMENT GROUPS, 1937 AGRICULTURAL CONSERVATION PROGRAM, BY REGIONS (PRELIMINARY)

Size of payment	Northeast	East Central	Southern	North Central	Western	Total United States
Under \$20.00.....	34,867	224,519	529,300	205,109	97,746	1,091,541
\$20.01-\$40.00.....	39,706	159,876	330,800	162,811	80,129	773,322
\$40.01-\$60.00.....	31,133	86,496	185,300	140,339	55,288	498,556
\$60.01-\$100.00.....	30,271	99,166	173,100	182,215	71,038	555,790
\$100.01-\$150.00.....	11,144	45,812	85,600	121,201	50,573	314,330
\$150.01-\$200.00.....	4,661	20,051	37,380	61,497	30,194	153,783
\$200.01-\$300.00.....	2,851	15,210	31,750	53,650	31,876	135,337
\$300.01-\$400.00.....	1,218	5,508	12,780	21,276	15,786	56,568
\$400.01-\$500.00.....	365	2,495	6,820	10,347	8,736	28,763
\$500.01-\$1,000.00.....	372	3,328	10,329	11,239	11,578	36,846
\$1,000.01-\$2,000.00.....	43	726	3,986	1,948	2,689	9,392
\$2,000.01-\$3,000.00.....	6	82	919	410	514	1,931
\$3,000.01-\$4,000.00.....	2	55	336	42	148	583
\$4,000.01-\$5,000.00.....	-----	50	166	30	63	309
\$5,000.01-\$10,000.00.....	4	41	190	33	83	351
Above \$10,000.00.....	-----	-----	67	-----	27	94
Total.....	156,643	663,415	1,408,823	972,147	456,468	3,657,496

Exhibit 24.—DATA IN PARTICIPATION AND ESTIMATED PAYMENTS TO BE EARNED ON 1937-38 SUGAR-BEET AND SUGARCANE CROP, 1937 SUGAR PROGRAM, BY STATES AND TERRITORIES (PRELIMINARY)

	Number of applicants	Total amounts due growers	Amounts to be deducted from growers' payments for settlement of labor claims
Sugar-beet States:			
California.....	1,363	\$3,750,000	\$67,000
Colorado.....	7,841	3,600,000	120,000
Idaho.....	4,761	1,090,000	30,000
Illinois.....	324	41,000	1,500
Indiana.....	690	90,000	-----
Iowa.....	140	50,000	1,000
Kansas.....	217	98,000	-----
Michigan.....	10,429	1,075,000	18,000
Minnesota.....	988	489,000	7,000
Montana.....	2,955	1,800,000	32,000
Nebraska.....	2,377	1,710,000	31,000
New Mexico.....	31	1,000	-----
North Dakota.....	368	270,000	5,000
Ohio.....	3,164	328,000	-----
Oregon.....	307	124,000	4,000
South Dakota.....	272	103,000	4,000
Utah.....	7,137	1,090,000	10,000
Washington.....	818	210,000	-----
Wisconsin.....	1,965	148,000	1,500
Wyoming.....	1,577	1,193,000	43,000
Total.....	47,724	17,260,000	375,000
Sugarcane States:			
Florida.....	19	487,000	-----
Louisiana.....	10,800	5,600,000	-----
Total.....	10,819	6,087,000	-----
Insular areas:			
Hawaii.....	75	4,200,000	-----
Puerto Rico.....	11,000	9,300,000	(¹)
Total.....	11,075	13,500,000	-----
Grand total.....	69,618	36,847,000	-----

¹ No estimate.

Appendix G.—MARKETING PROGRAMS

Exhibit 25.—MARKETING AGREEMENTS, LICENSES, AND ORDERS IN EFFECT AS OF JUNE 30, 1938

Marketing agreements:

Milk—

Dry skim.

Fort Wayne, Ind.

Topeka, Kans.

Peaches, fresh, grown in Colorado.

Marketing agreements and orders:

Anti-hog-cholera serum.

Cauliflower, Oregon.

Celery, Florida.

Citrus, California and Arizona.

Citrus, Texas.

Onions, Utah.

Vegetables, Colorado peas and cauliflower.

Vegetables, western Washington.

Walnuts, California, Oregon, and Washington.

Watermelons, southeastern.

Milk, Cincinnati.

Cantaloups, California and Arizona.

Marketing agreements and licenses:

Alcoholic beverages importing industry.¹

Bees and queens, shippers.¹

Deciduous tree fruits, California.

Evaporated milk.

Prunes, California dried.

Tobacco, Connecticut Valley shade grown.

Vegetables, western Washington.

Watermelons, southeastern.

Orders:

Milk—Boston, Mass.; Fall River, Mass.; La Porte, Ind.; Dubuque, Iowa;

Kansas City, Mo.; St. Louis, Mo.

Potatoes, Nebraska, Wyoming, and Colorado.

Potatoes, Idaho.

Potatoes, Wisconsin, Minnesota, North Dakota, and Michigan.

Potatoes, Louisiana, Texas, Alabama, Mississippi, and Florida.

Licenses:

Milk—Battle Creek, Denver, Kalamazoo, Leavenworth, Des Moines,

Lincoln, Louisville, New Bedford, Omaha-Council Bluffs, Quad Cities,

San Diego, Sioux City, Twin Cities, Wichita.

Appendix H.—MISCELLANEOUS

Exhibit 26.—ANNOTATED COMPILATION OF THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT, AS AMENDED, THE AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED, AND ACTS RELATING THERETO

PREFATORY NOTE

Throughout this compilation, light-faced type is used to indicate the law as originally enacted, italics are used to indicate amendments to the original text, and bold-faced type is used to indicate amendments to amendments to the original text.

In the case of the Soil Conservation and Domestic Allotment Act, the law as originally enacted is considered, for the purposes of this compilation, to be the act entitled "An act to provide for the protection of land resources against soil erosion, and for other purposes," Public, No. 46, Seventy-fourth Congress, approved April 27, 1935, as amended by section 1 of the act entitled "An act to promote the conservation and profitable use of agricultural land resources by

¹ Inoperative—but not terminated.

temporary Federal aid to farmers and by providing for a permanent Federal aid to States for such purposes," Public, No. 461, Seventy-fourth Congress, approved February 29, 1936.

Footnotes are used to indicate the sources of the text.

In the annotated compilation of the Agricultural Adjustment Act of 1938, contained in part II of this compilation, title I of that act is omitted. As explained in the footnote to the text, an annotated compilation of that title is omitted because that title contains only amendments to the Soil Conservation and Domestic Allotment Act, and these amendments are shown in the annotated compilation of the Soil Conservation and Domestic Allotment Act, as amended, contained in part I of this compilation.

PART I.—ANNOTATED COMPILATION OF SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT, AS AMENDED¹

An act to provide for the protection of land resources against soil erosion and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is hereby recognized that the wastage of soil and moisture resources on farm, grazing, and forest lands of the Nation, resulting from soil erosion, is a menace to the national welfare and that it is hereby declared to be the policy of Congress to provide permanently for the control and prevention of soil erosion and thereby to preserve natural resources, control floods, prevent impairment of reservoirs, and maintain the navigability of rivers and harbors, protect public health, public lands, and relieve unemployment, and the Secretary of Agriculture, from now on, shall coordinate and direct all activities with relation to soil erosion and in order to effectuate this policy is hereby authorized from time to time—

(1) To conduct surveys, investigations, and research relating to the character of soil erosion and the preventive measures needed, to publish the results of any such surveys, investigations, or research, to disseminate information concerning such methods, and to conduct demonstrational projects in areas subject to erosion by wind or water;

(2) To carry out preventive measures, including, but not limited to, engineering operations, methods of cultivation, the growing of vegetation, and changes in use of land;

(3) To cooperate or enter into agreements with, or to furnish financial or other aid to, any agency, governmental or otherwise, or any person, subject to such conditions as he may deem necessary, for the purposes of this Act; and

(4) To acquire lands, or rights or interests therein, by purchase, gift, condemnation, or otherwise, whenever necessary for the purposes of this Act.

SEC. 2. The acts authorized in section 1 (1) and (2) may be performed—

(a) On lands owned or controlled by the United States or any of its agencies, with the cooperation of the agency having jurisdiction thereof; and

(b) On any other lands, upon obtaining proper consent or the necessary rights or interests in such lands.

SEC. 3. As a condition to the extending of any benefits under this Act to any lands not owned or controlled by the United States or any of its agencies, the Secretary of Agriculture may, insofar as he may deem necessary for the purposes of this Act, require—

(1) The enactment and reasonable safeguards for the enforcement of State and local laws imposing suitable permanent restrictions on the use of such lands and otherwise providing for the prevention of soil erosion;

(2) Agreements or covenants as to the permanent use of such lands; and

(3) Contributions in money, services, materials, or otherwise, to any operations conferring such benefits.

SEC. 4. For the purposes of this Act, the Secretary of Agriculture may—

(1) Secure the cooperation of any governmental agency;

(2) Subject to the provisions of the civil-service laws and the Classification Act of 1923, as amended, appoint and fix the compensation of such officers and

¹ Sec. 1 through 6 constituted the act of April 27, 1935, Public, No. 46, 74th Cong., 49 Stat. 163, Title 16, U. S. C., sec. 590-a to 590-f; sec. 7 through 17 were added by sec. 1 of the act entitled "An act to promote the conservation and profitable use of agricultural land resources by temporary Federal aid to farmers and by providing for a permanent policy of Federal aid to States for such purposes," approved February 29, 1936, Public, No. 461, 74th Cong., 49 Stat. 1148, Title 16, U. S. C., secs. 590-g to 590-q.

employees as he may deem necessary, except for a period not to exceed eight months from the date of this enactment, the Secretary of Agriculture may make appointments and may continue employees of the organization heretofore established for the purpose of administering those provisions of the National Industrial Recovery Act which relate to the prevention of soil erosion, without regard to the civil-service laws or regulations and the Classification Act, as amended; and any persons with technical or practical knowledge may be employed and compensated under this Act on a basis to be determined by the Civil Service Commission; and

(3) Make expenditures for personal services and rent in the District of Columbia and elsewhere, for the purchase of law books and books of reference, for printing and binding, for the purchase, operation, and maintenance of passenger-carrying vehicles, and perform such acts, and prescribe such regulations, as he may deem proper to carry out the provisions of this Act.

SEC. 5. The Secretary of Agriculture shall establish an agency to be known as the "Soil Conservation Service," to exercise the powers conferred on him by this Act and may utilize the organization heretofore established for the purpose of administering those provisions of sections 202 and 203 of the National Industrial Recovery Act which relate to the prevention of soil erosion, together with such personnel thereof as the Secretary of Agriculture may determine, and all unexpended balances of funds heretofore allotted to said organization shall be available until June 30, 1937, and the Secretary of Agriculture shall assume all obligations incurred by said organization prior to transfer to the Department of Agriculture. Funds provided in H. J. Res. 117, "An Act making appropriation for relief purposes" (for soil erosion) shall be available for expenditure under the provisions of this Act; and in order that there may be proper coordination of erosion-control activities the Secretary of Agriculture may transfer to the agency created under this Act such functions, funds, personnel, and the property of other agencies in the Department of Agriculture as he may from time to time determine.

SEC. 6. There are hereby authorized to be appropriated for the purposes of this Act such sums as Congress may from time to time determine to be necessary.

SEC. 7. (a) It is hereby declared to be the policy of this Act also to secure, and the purposes of this Act shall also include, (1) preservation and improvement of soil fertility; (2) promotion of the economic use and conservation of land; (3) diminution of exploitation and wasteful and unscientific use of national soil resources; (4) the protection of rivers and harbors against the results of soil erosion in aid of maintaining the navigability of waters and water courses and in aid of flood control; and (5) reestablishment, at as rapid a rate as the Secretary of Agriculture determines to be practicable and in the general public interest, of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during the five-year period August 1909-July 1914, inclusive, as determined from statistics available in the United States Department of Agriculture, and the maintenance of such ratio. The powers conferred under sections 7 to 14, inclusive, of this Act shall be used to assist voluntary action calculated to effectuate the purposes specified in this section. Such powers shall not be used to discourage the production of supplies of foods and fibers sufficient to maintain normal domestic human consumption as determined by the Secretary from the records of domestic human consumption in the years 1920 to 1929, inclusive, taking into consideration increased population, quantities of any commodity that were forced into domestic consumption by decline in exports during such period, current trends in domestic consumption and exports of particular commodities, and the quantities of substitutes available for domestic consumption within any general class of food commodities. In carrying out the purposes of this section due regard shall be given to the maintenance of a continuous and stable supply of agricultural commodities adequate to meet consumer demand at prices fair to both producers and consumers.

(b) The Secretary of Agriculture shall cooperate with States, in the execution of State plans to effectuate the purposes of this section, by making grants under this section to enable them to carry out such plans.

(c) Any State which submits to the Secretary, prior to such time and in such manner and form as the Secretary prescribes, a State plan to effectuate the purposes of this section shall be entitled to payments, as provided in this section, for the year to which such plan is applicable, if such plan is approved by the Secretary as provided in this section.

(d) No such plan shall be approved unless by its terms:

(1) It provides that the agency to administer the plan shall be such State agency as may be designated by the Secretary if such agency is authorized by the State, or such other State agency as is authorized by the State and approved by the Secretary;

(2) It provides for such methods of administration and such participation in the administration of the plan by county and community committees or associations of agricultural producers organized for such purpose, as the Secretary finds necessary for the effective administration of the plan; and

(3) It provides for the submission to the Secretary of such reports as he finds necessary to ascertain whether the plan is being carried out according to its terms, and for compliance with such requirements as the Secretary may prescribe to assure the correctness of and make possible the verification of such reports.

(e) Such plan shall be approved if the Secretary finds that there is a reasonable prospect that—

(1) Such substantial accomplishment in effectuating the purposes of this section will be brought about through the operation of such plan and the plans submitted by other States and

(2) The operation of such plan will result in as substantial a furtherance of such accomplishment as may reasonably be achieved through the action of such State.

(f) Upon approval of any State plan for any year the Secretary shall allocate to such State such sum (not in excess of the maximum amount fixed in pursuance of subsection (g) for such State for such year) as he finds necessary to carry out such plan for such year, and thereupon shall certify to the Secretary of the Treasury for payment to such agency of the State as the Secretary of Agriculture certifies is designated in the plan and the Secretary of the Treasury shall pay to such agency, one-fourth of the amount so allocated. The remainder of the amount so allocated shall be similarly certified and paid in such installments (payable prior to the end of the calendar year) as may be provided in the plan. No such installment shall be certified for payment if the Secretary of Agriculture finds that, prior to the due date of such installment, there has been a substantial failure by the State to carry out the plan according to its terms, or that the further operation of the plan according to its terms will not tend to effectuate the purposes of this section. No amount shall be certified for payment under any such installment in excess of the amount the Secretary finds necessary for the effective carrying out of the plan during the period to which the installment relates.

(g) On or before November 1 of each year, the Secretary shall apportion among the several States the funds which will be available for carrying out State plans during the next calendar year, and in determining the amount to be apportioned to each State, the Secretary shall take into consideration the acreage and value of the major soil depleting and major export crops produced in the respective States during a representative period and the acreage and productivity of land devoted to agricultural production (including dairy products) in the respective States during a representative period: *Provided, however, That any such apportionment of funds available for carrying out State plans during any year prior to 1942 may be made at any time prior to or during the year to which such plans relate.*² Notwithstanding the making of an apportionment to any State for any calendar year, the funds apportioned to any State for which no plan has been approved for such year, and any amount apportioned to any State which is not required to carry out an approved plan for such State for such year, shall be available for carrying out the provisions of sections 7 to 14, inclusive, of this act.

SEC. 8. (a) In order to carry out the purposes specified in section 7 (a) during the period necessary to afford a reasonable opportunity for legislative action by a sufficient number of States to assure the effectuation of such purposes by State action and in order to promote the more effective accomplishment of such purposes by State action thereafter, the Secretary shall exercise the powers conferred in this section during the period prior to *January 1, 1942,*³ except with respect to farming operations commenced in any State after the

² The italicized words were substituted by sec. 1 (b) of Public, No. 170, 75th Cong., approved June 28, 1937, 50 Stat. 329, in lieu of the words "apportionments of funds available for carrying out the purposes specified in this section for the year 1936 may be made at any time during 1936, and apportionments for 1937 may be made at any time during 1937."

³ The italicized words were substituted by sec. 1 (a) of Public, No. 170, 75th Cong., approved June 28, 1937, 50 Stat. 329, in lieu of the expression "January 1, 1938."

effective date of a State plan for such State approved pursuant to section 7. No such powers shall be exercised after *December 31, 1941*,⁴ except with respect to payments or grants in connection with farming operations carried out prior to *January 1, 1942*.³

(b) *Subject to the limitations provided in subsection (a) of this section, the Secretary shall have power to carry out the purposes specified in clauses (1), (2), (3), (4), and (5) of section 7 (a) by making payments or grants of other aid to agricultural producers, including tenants and sharecroppers, in amounts determined by the Secretary to be fair and reasonable in connection with the effectuation of such purposes during the year with respect to which such payments or grants are made, and measured by (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of erosion; (2) changes in the use of their land; (3) their equitable share, as determined by the Secretary, of the normal national production of any commodity or commodities required for domestic consumption; or (4) their equitable share, as determined by the Secretary, of the national production of any commodity or commodities required for domestic consumption and exports adjusted to reflect the extent to which their utilization of cropland on the farm conforms to farming practices which the Secretary determines will best effectuate the purposes specified in section 7 (a); or (5) any combination of the above. In arid or semiarid sections, (1) and (2) above shall be construed to cover water conservation and the beneficial use of water on individual farms, including measures to prevent run-off, the building of check dams and ponds, and providing facilities for applying water to the land. In determining the amount of any payment or grant measured by (1) or (2) the Secretary shall take into consideration the productivity of the land affected by the farming practices adopted during the year with respect to which such payment is made. In carrying out the provisions of this section in the continental United States, the Secretary is directed to utilize the services of local and State committees selected as hereinafter provided. The Secretary shall designate local administrative areas as units for administration of programs under this section. No such local area shall include more than one county or parts of different counties. Farmers within any such local administrative area, and participating or cooperating in programs administered within such area, shall elect annually from among their number a local committee of not more than three members for such area and shall also elect annually from among their number a delegate to a county convention for the election of a county committee. The delegates from the various local areas in the county shall, in a county convention, elect, annually, the county committee for the county which shall consist of three members who are farmers in the county. The local committee shall select a secretary and may utilize the county agricultural extension agent for such purpose. The county committee shall select a secretary who may be the county agricultural extension agent. If such county agricultural extension agent shall not have been elected secretary of such committee, he shall be ex officio a member of the county committee. The county agricultural extension agent shall not have the power to vote. In any county in which there is only one local committee the local committee shall also be the county committee. In each State there shall be a State committee for the State composed of not less than three or more than five farmers who are legal residents of the State and who are appointed by the Secretary. The State director of the Agricultural Extension Service shall be ex officio a member of such State committee. The ex officio members of the county and State committees shall be in addition to the number of members of such committees heretofore specified. The Secretary shall make such regulations as are necessary relating to the selection and exercise of the functions of the respective committees, and to the administration, through such committees, of such programs. In carrying out the provisions of this section, the Secretary—shall, as far as practicable, protect the interests of tenants and sharecroppers; is authorized to utilize the agricultural extension service and other approved agencies; shall accord such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing Acts of Congress and as will tend to promote efficient methods of marketing and distribution; shall not have power to acquire any*

³ The italicized words were substituted by sec. 1 (a) of Public, No. 170, 75th Cong., approved June 28, 1937, 50 Stat. 329, in lieu of the expression "January 1, 1938."

⁴ The italicized words were substituted by sec. 1 (a) of Public, No. 170, 75th Cong., approved June 28, 1937, 50 Stat. 329, in lieu of the expression "December 31, 1937."

land or any right or interest therein; shall, in every practicable manner, protect the interests of small producers; and shall in every practical way encourage and provide for soil-conserving and soil-rebuilding practices rather than the growing of soil-depleting crops. Rules and regulations governing payments or grants under this subsection shall be as simple and direct as possible, and, wherever practicable, they shall be classified on two basis: (a) Soil-depleting crops and practices, (b) soil-building crops and practices.⁵

(c) (1) In apportioning acreage allotments under this section in the case of wheat and corn, the National and State allotments and the allotments to counties shall be apportioned annually on the basis of the acreage seeded for the production of the commodity during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and trends in acreage during the applicable period.

(2) In the case of wheat, the allotment to any county shall be apportioned annually by the Secretary, through the local committees, among the farms within such county on the basis of tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3 per centum of such county allotment shall be apportioned to farms on which wheat has not been planted during any of the three marketing years immediately preceding the marketing year in which the allotment is made.

(3) In the case of corn, the allotment to any county shall be apportioned annually by the Secretary, through the local committees, among the farms within such county on the basis of tillable acreage, type of soil, topography, and crop-rotation practices.

(4) Notwithstanding any other provision of this subsection, if, for any reason other than flood or drought, the acreage of wheat, cotton, corn, or rice planted on the farm is less than 80 per centum of the farm acreage allotment for such commodity for the purpose of payment, such farm acreage allotment shall be 25 per centum in excess of such planted acreage.

(5) In determining normal yield per acre for **any county**⁶ under this section in the case of wheat or corn, the normal yield shall be the average yield per acre **therein**⁷ for such commodity during the ten calendar years immediately

⁵ This italicized subsection was substituted by sec. 101 of the Agricultural Adjustment Act of 1938 in lieu of the following:

"(b) Subject to the limitations provided in subsection (a) of this section, the Secretary shall have power to carry out the purposes specified in clauses (1), (2), (3), and (4) of section 7 (a) by making payments or grants of other aid to agricultural producers, including tenants and sharecroppers, in amounts, determined by the Secretary to be fair and reasonable in connection with the effectuation of such purposes during the year with respect to which such payments or grants are made, and measured by (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of erosion, (2) changes in the use of their land, (3) a percentage of their normal production of any one or more agricultural commodities designated by the Secretary which equals that percentage of the normal national production of such commodity or commodities required for domestic consumption, or (4) any combination of the above. In determining the amount of any payment or grant measured by (1) or (2) the Secretary shall take into consideration the productivity of the land affected by the farming practices adopted during the year with respect to which such payment is made. In carrying out the provisions of this section, the Secretary shall, as far as practicable, protect the interests of tenants and sharecroppers. In carrying out the provisions of this section, the Secretary is authorized to utilize county and community committees of agricultural producers and the agricultural extension service, or other approved agencies. In carrying out the provisions of this section, the Secretary shall not have power to enter into any contract binding upon any producer or to acquire any land or any right or interest therein. In carrying out the provisions of this section, the Secretary shall, in every practicable manner, protect the interests of small producers. The Secretary, in administering this section shall in every practical way encourage and provide for soil conserving and soil rebuilding practices rather than the growing of soil depleting commercial crops."

Sec. 105 of the Agricultural Adjustment Act of 1938, as amended by section 1 of the Act entitled "An Act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, provides as follows:

"Sec. 105. The amendments made by sections 101, 102, 103, and 104 shall first be effective with respect to farming operations carried out in the calendar year 1938. Notwithstanding such amendments, payments with respect to farming operations carried out in the calendar year 1938 and based upon any soil-depleting crop for which special acreage allotments are established shall be made at not less than 90 per centum of the rates announced by the Secretary prior to the enactment of this Act. Nothing contained herein shall require reconstituting, for 1938, any county or other local committee which has been constituted prior to February 1, 1938."

⁶ The bold-face words were substituted, by sec. 16 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of the words "on any farm."

⁷ The bold-face word was substituted by sec. 16 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of the word "thereon."

preceding the calendar year in which such yield is determined, adjusted for abnormal weather conditions and trends in yields. If for any reason there is no actual yield, or the data therefor are not available for any year, then an appraised yield for such year, determined in accordance with regulations of the Secretary, shall be used. If, on account of drought, flood, insect pests, plant disease, or other uncontrollable natural cause, the yield in any year of such ten-year period is less than 75 per centum of the average (computed without regard to such year), such year shall be eliminated in calculating the normal yield per acre.

(6) In determining normal yield per acre for any farm under this section in the case of wheat or corn, the normal yield shall be the average yield per acre thereon for such commodity during the ten calendar years immediately preceding the calendar year in which such yield is determined, adjusted for abnormal weather conditions and trends in yields. If for any such year the data are not available, or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, and the yield in years for which data are available.⁸⁹

(d) Any payment or grant of aid made under subsection (b) shall be conditioned upon the utilization of the land, with respect to which such payment is made, in conformity with farming practices which the Secretary finds tend to effectuate any one or more of the purposes specified in clause (1), (2), (3), (4), or (5) of section 7 (a).

Any payment made under subsection (b) with respect to any farm (except for lands which the Secretary determines should not be utilized for the harvesting of crops but should be permanently used for grazing purposes only) shall, if the number of cows kept on such farm, and in the county in which such farm is located, for the production of milk or products thereof (for market), exceeds the normal number of such cows, be further conditioned upon the utilization of the land, with respect to which such payment is made, so that soil-building and soil-conserving crops planted or produced on an acreage equal to the land normally used for the production of soil-depleting crops but, as a condition of such payment, not permitted to be so used, shall be used for the purpose of building and conserving the fertility of the soil, or for the production of agricultural commodities to be consumed on the farm, and not for market. Whenever it is determined that a county, as a whole, is in substantial compliance with the provisions of this paragraph, no payment shall be denied any individual farmer in the county by reason of this paragraph; and no payment shall be denied a farmer by reason of this paragraph unless it has been determined that the farmer has not substantially complied with the provisions of this paragraph. Whenever the Secretary finds that by reason of drought, flood, or other disaster, a shortage of feed exists in any area, he shall so declare, and to the extent and for the period he finds necessary to relieve such shortage, the operation of the condition provided in this paragraph shall be suspended in such area and, if necessary to relieve such shortage, in other areas defined by him. As used in this paragraph, the term "for market" means for disposition by sale, barter, or exchange, or by feeding (in any form) to dairy livestock which, or the products of which, are to be sold, bartered, or exchanged; and such term shall not include consumption on the farm. An agricultural commodity shall be deemed consumed on the farm if consumed by the farmer's family, employees, or household, or if fed to poultry or livestock other than dairy livestock on his farm; or if fed to dairy livestock on his farm and such dairy livestock, or the products thereof, are to be consumed by his family, employees, or household. Whenever the Secretary has reason to believe the income of producers of livestock (other than dairy cattle) or poultry in any area from such sources is being adversely affected by increases in the supply for market of such livestock or poultry, as the case may be, arising as a result of programs carried out under this Act, he shall make an investigation with respect to the existence of such facts. If, upon investigation, the Secretary

⁸⁸ This subdivision (6) of subsec. (c) was added by sec. 17 of the act entitled "An act to amend the Agricultural Adjustment Act for 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

⁸⁹ This subsec. (c) was substituted, by sec. 101 of the Agricultural Adjustment Act of 1938, in lieu of the following:

"(c) Any payment or grant of aid made under subsection (b) shall be conditioned upon the utilization of the land, with respect to which such payment is made, in conformity with farming practices which the Secretary finds tend to effectuate the purposes specified in clause (1), (2), (3), or (4) of section 7 (a)."

For the effective date of this subsection reference is made to sec. 105 of the Agricultural Adjustment Act of 1938, as amended, set forth in full in footnote 5.

finds that the income of producers of such livestock or poultry, as the case may be, in any area from any such source is being adversely affected by such increases, he shall, as soon as practicable, make such provisions in the administration of this Act with respect to the use of diverted acres as he may find necessary to protect the interests of producers of such livestock or poultry in the affected area.¹⁰

(e) Payments made by the Secretary to farmers under subsection (b) shall be divided among the landlords, tenants, and sharecroppers of any farm, with respect to which such payments are made, in the same proportion that such landlords, tenants, and sharecroppers are entitled to share in the proceeds of the agricultural commodity with respect to which such payments are made, except that payments based on soil-building or soil-conserving practices shall be divided in proportion to the extent which such landlords, tenants, and sharecroppers contribute to the carrying out of such practices. Such payments shall be paid by the Secretary directly to the landlords, tenants, or sharecroppers entitled thereto, and shall be computed at rates which will permit the Secretary to set aside out of the funds available for the making of such payments for each year an amount sufficient to permit the increases herein specified to be made within the limits of the funds so available. If with respect to any farm the total payment to any person for any year would be:

- (1) Not more than \$20, the payment shall be increased by 40 per centum;
- (2) More than \$20 but not more than \$40, the payment shall be increased by \$8, plus 20 per centum of the excess over \$20;
- (3) More than \$40 but not more than \$60, the payment shall be increased by \$12, plus 10 per centum of the excess over \$40;
- (4) More than \$60 but not more than \$186, the payment shall be increased by \$14; or
- (5) More than \$186 but less than \$200, the payment shall be increased to \$200.

In the case of payments of more than \$1, the amount of the payment which shall be used to calculate the 40-, 20-, and 10-per-centum increases under clauses (1), (2), and (3) shall not include that part, if any, of the payment which is a fraction of a dollar.

Beginning with the calendar year 1939, no total payment for any year to any person under such subsection (b) shall exceed \$10,000. In the case of payments made to any individual, partnership, or estate on account of performance on farms in different States, Territories, or possessions, the \$10,000 limitation shall apply to the total of the payments for each State, Territory, or possession, for a year and not to the total of all such payments.¹¹

(f) Any change between the landlord and the tenants or sharecroppers, with respect to any farm, that would increase over the previous year the amount of payments or grants of other aid under subsection (b) that would otherwise be made to any landlord shall not operate to increase such payment or grant to such landlord. Any reduction in the number of tenants below the average number of tenants on any farm during the preceding three years that would increase the payments or grants of other aid under such subsection that would otherwise be made to the landlord shall not hereafter operate to increase any such payment or grant to such landlord. Such limitations shall apply only if the county committee finds that the change or reduction is not justified and disapproves such change or reduction.¹²

(g) A payment which may be made to a farmer under this section may be assigned, without discount, by him in writing as security for cash or advances to finance making a crop. Such assignment shall be signed by the farmer and witnessed by a member of the county or other local committee, or by the treasurer or the secretary of such committee, and filed with the county agent or the county committee. Such assignment shall include the statement that the assignment is not made to pay or secure any preexisting indebtedness.¹³

¹⁰ This italicized subsection was added by sec. 101 of the Agricultural Adjustment Act of 1938. For the effective date of this italicized subsection reference is made to sec. 105 of the Agricultural Adjustment Act of 1938, as amended, set forth in full in footnote 5.

¹¹ This italicized subsection was added by sec. 102 of the Agricultural Adjustment Act of 1938. For the effective date of this subsection reference is made to sec. 105 of the Agricultural Adjustment Act of 1938, as amended, set forth in full in footnote 5.

¹² This italicized subsection was added by sec. 103 of the Agricultural Adjustment Act of 1938. For the effective date of this italicized subsection reference is made to sec. 105 of the Agricultural Adjustment Act of 1938, as amended, set forth in full in footnote 5.

¹³ The bold-face words were substituted, by sec. 18 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th

*This provision shall not authorize any suit against or impose any liability upon the Secretary or any disbursing agent if payment to the farmer is made without regard to the existence of any such assignment.*¹⁴

SEC. 9. The Secretary is authorized to conduct surveys, investigations, and research relating to the conditions and factors affecting, and methods of accomplishing most effectively, the policy and purposes of section 7 (a). Notwithstanding any provision of existing law, the Secretary is authorized to make public such information as he deems necessary to carry out the provisions of this Act. *The Secretary shall transmit to the Congress a report, for the fiscal year ending June 30, 1937, and for each fiscal year thereafter, of the operations for such year under sections 7 to 14, inclusive, of this Act, which report shall include a statement of the expenditures made and obligations incurred, by classes and amounts.*¹⁵

SEC. 10. The term "agricultural commodity" as used in this Act means any such commodity and any regional or market classification, type or grade thereof.

SEC. 11. All funds available for carrying out this Act shall be available for allotment to the bureaus and offices of the Department of Agriculture and for transfer to such other agencies of the Federal or State Governments as the Secretary may request to cooperate or assist in carrying out this Act *And*¹⁶ *for payments to committees or associations of producers in any region or regions to cover the estimated administrative expenses to be incurred by any such committee or association in cooperating in carrying out this Act: Provided, That the Secretary may prescribe that all or part of such estimated expenses of any such committee or association may be deducted pro rata from the payments or grants made to the members thereof: And provided further, That the Secretary may make such payments in advance of determination of performance.*¹⁷

SEC. 12. Whenever the Secretary finds that the exercise of the powers conferred in this section will tend to carry out the purpose specified in clause (5) of section 7 (a), or will tend to provide for and maintain a continuous and stable supply of agricultural commodities adequate to meet consumer demand at prices fair to both producers and consumers, or both, he shall use such part as he deems necessary of the sums appropriated to carry out this Act for the expansion of domestic and foreign markets or for seeking new or additional markets for agricultural commodities or the products thereof or for the removal or disposition of surpluses of such commodities or the products thereof.

SEC. 13. Notwithstanding the foregoing provisions of this Act, the Secretary is authorized and directed to provide for the execution by the Agricultural Adjustment Administration of such powers conferred upon him under sections 7 to 14, inclusive, of this Act as he deems may be appropriately exercised by such Administration, and for such purposes the provisions of law applicable to the appointment and compensation of persons employed by the Agricultural Adjustment Administration shall apply.

SEC. 14. The facts constituting the bases for any payment or grant or the amount thereof authorized to be made under section 7 or 8 hereof, when officially determined in conformity with rules or regulations prescribed by the Secretary of Agriculture, shall be reviewable only by the Secretary of Agriculture.

SEC. 15. To enable the Secretary of Agriculture to carry out the purposes of sections 7 and 8 there is hereby authorized to be appropriated for any fiscal year not exceeding \$500,000,000.

The funds available for payments (after allowing for estimated administrative expenses, and not to exceed 5 percentum for payments with respect to range lands, noncrop pasture lands, and naval stores) shall be allocated among the commodities produced with respect to which payments or grants are to be computed. In allocating funds among the commodities the Secretary shall take into consideration and give equal weight to (1) the average acreages planted to

Cong., approved April 7, 1938, in lieu of the following: "Such assignment shall be acknowledged by the farmer before the county agricultural extension agent and filed with such agent. The farmer shall file with such county agricultural extension agent an affidavit stating that the assignment is not made to pay or secure any preexisting indebtedness."

¹⁴ This italicized subsection was added by sec. 103 of the Agricultural Adjustment Act of 1938. For the effective date of this italicized subsection reference is made to sec. 105 of the Agricultural Adjustment Act of 1938, as amended, set forth in full in footnote 5.

¹⁵ The italicized words were added by sec. 2 of Public, No. 170, 75th Cong., approved June 28, 1937, 50 Stat. 329.

¹⁶ So in original.

¹⁷ The italicized words were added by Public Res. No. 131, 74th Cong., approved June 24, 1936.

the various commodities (including rotation pasture), for the ten years 1928 to 1937, adjusted for abnormal weather and other conditions, including acreage diverted from production under the agricultural adjustment and soil conservation programs; (2) the value at parity prices of the production from the allotted acreages of the various commodities for the year with respect to which the payment is made; (3) the average acreage planted to the various commodities during the ten years 1928 to 1937, including the acreage diverted from production under the agricultural adjustment and soil conservation programs, in excess of the allotted acreage for the year with respect to which the payment is made; and (4) the value based on average prices for the preceding ten years of the production of the excess acreage determined under item (3). The rate of payment used in making payments to the producers of each commodity shall be such that the estimated payments with respect to such commodity shall equal the amount of funds allocated to such commodity as herein provided. For the purpose of allocating funds and computing payments or grants the Secretary is authorized to consider as a commodity a group of commodities or a regional or market classification of a commodity. For the purpose of computing payments or grants the Secretary is authorized to use funds allocated to two or more commodities produced on farms of a designated regional or other classification to compute payments with respect to one of such commodities on such farms, and to use funds, in an amount equal to the estimated payments which would be made in any county, for making payments pursuant to a special program under section 8 approved by the Secretary for such county: *Provided, That farm acreage allotments shall be made for wheat in 1938, but in determining compliance wheat shall be considered in the group with other crops for which special acreage allotments are not made.*¹³

SEC. 16. The obligations incurred for the purpose of carrying out, for any calendar year, the provisions of sections 7 to 14, inclusive, of this Act shall not exceed \$500,000,000.

SEC. 17.(a) This Act shall apply to the United States, the Territories of Alaska and Hawaii, and the possession of Puerto Rico, and as used in this Act, the term "State" includes Alaska, Hawaii, and Puerto Rico.

(b) This Act may be cited as the "Soil Conservation and Domestic Allotment Act."

PART II.—ANNOTATED COMPILATION OF AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED ¹

An act to provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Adjustment Act of 1938."

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of Congress to continue the Soil Conservation and Domestic Allotment Act, as amended, for the purpose of conserving national resources, preventing the wasteful use of soil fertility, and of preserving, maintaining, and rebuilding the farm and ranch land resources in the national public interest; to accomplish these purposes through the encouragement of soil-building and soil-conserving crops and practices; to assist in the marketing of agricultural commodities for domestic consumption and for export; and to regulate interstate and foreign commerce in cotton, wheat, corn, tobacco, and rice to the extent necessary to provide an orderly, adequate, and balanced flow of such commodities in interstate and foreign commerce through storage of reserve supplies, loans, marketing quotas, assisting farmers to obtain, insofar as practicable, parity prices for such commodities and parity of income, and assisting consumers to obtain an adequate and steady supply of such commodities at fair prices.

¹³ The italicized words were added by sec. 104 of the Agricultural Adjustment Act of 1938. For the effective date of this italicized provision reference is made to sec. 105 of the Agricultural Adjustment Act of 1938, as amended, set forth in full in footnote 5.

¹ Public, No. 430, 75th Cong., approved February 16, 1938, 52 Stat. 31.

TITLE I—AMENDMENTS TO SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT²

TITLE II—ADJUSTMENT IN FREIGHT RATES, NEW USES AND MARKETS, AND DISPOSITION OF SURPLUSES

ADJUSTMENTS IN FREIGHT RATES FOR FARM PRODUCTS

SEC. 201. (a) The Secretary of Agriculture is authorized to make complaint to the Interstate Commerce Commission with respect to rates, charges, tariffs, and practices relating to the transportation of farm products, and to prosecute the same before the Commission. Before hearing or disposing of any complaint (filed by any person other than the Secretary) with respect to rates, charges, tariffs, and practices relating to the transportation of farm products, the Commission shall cause the Secretary to be notified, and, upon application by the Secretary, shall permit the Secretary to appear and be heard.

(b) If such rate, charge, tariff, or practice complained of is one affecting the public interest, upon application by the Secretary, the Commission shall make the Secretary a party to the proceeding. In such case the Secretary shall have the rights of a party before the Commission and the rights of a party to invoke and pursue original and appellate judicial proceedings involving the Commission's determination. The liability of the Secretary in any such case shall extend only to liability for court costs.

(c) For the purposes of this section, the Interstate Commerce Commission is authorized to avail itself of the cooperation, records, services, and facilities of the Department of Agriculture.

(d) The Secretary is authorized to cooperate with and assist cooperative associations of farmers making complaint to the Interstate Commerce Commission with respect to rates, charges, tariffs, and practices relating to the transportation of farm products.

NEW USES AND NEW MARKETS FOR FARM COMMODITIES

SEC. 202. (a) The Secretary is hereby authorized and directed to establish, equip, and maintain four regional research laboratories, one in each major farm producing area, and, at such laboratories, to conduct researches into and to develop new scientific, chemical, and technical uses and new and extended markets and outlets for farm commodities and products and byproducts thereof. Such research and development shall be devoted primarily to those farm commodities in which there are regular or seasonal surpluses, and their products and byproducts.

(b) For the purposes of subsection (a), the Secretary is authorized to acquire land and interests therein, and to accept in the name of the United States donations of any property, real or personal, to any laboratory established pursuant to this section, and to utilize voluntary or uncompensated services at such laboratories. Donations to any one of such laboratories shall not be available for use by any other of such laboratories.

(c) In carrying out the purposes of subsection (a), the Secretary is authorized and directed to cooperate with other departments or agencies of the Federal Government, States, State agricultural experiment stations, and other State agencies and institutions, counties, municipalities, business or other organizations, corporations, associations, universities, scientific societies, and individuals, upon such terms and conditions as he may prescribe.

(d) To carry out the purposes of subsection (a), the Secretary is authorized to utilize in each fiscal year, beginning with the fiscal year beginning July 1, 1938, a sum not to exceed \$4,000,000 of the funds appropriated pursuant to section 391 of this Act, or section 15 of the Soil Conservation and Domestic Allotment Act, as amended, for such fiscal year. The Secretary shall allocate one-fourth of such sum annually to each of the four laboratories established pursuant to this section.

² This title contains amendments to the Soil Conservation and Domestic Allotment Act, as amended. These amendments are set forth in the Annotated Compilation of the Soil Conservation and Domestic Allotment Act, as amended, Part I of this document, and, therefore, the provisions of this title are omitted from the Annotated Compilation of the Agricultural Adjustment Act of 1938, as amended, Part II of this document.

(e) The Secretary shall make a report to Congress at the beginning of each regular session of the activities of, expenditures by, and donations to the laboratories established pursuant to subsection (a).

(f) There is hereby allocated to the Secretary of Commerce for each fiscal year, beginning with the fiscal year beginning July 1, 1938, out of funds appropriated for such fiscal year pursuant to section 391 of this Act, or section 15 of the Soil Conservation and Domestic Allotment Act, as amended, the sum of \$1,000,000 to be expended for the promotion of the sale of farm commodities and products thereof in such manner as he shall direct. Of the sum allocated under this subsection to the Secretary of Commerce for the fiscal year beginning July 1, 1938, \$100,000 shall be devoted to making a survey and investigation of the cause or causes of the reduction in exports of agricultural commodities from the United States, in order to ascertain methods by which the sales in foreign countries of basic agricultural commodities produced in the United States may be increased.

(g) It shall be the duty of the Secretary to use available funds to stimulate and widen the use of all farm commodities in the United States and to increase in every practical way the flow of such commodities and the products thereof into the markets of the world.

SEC. 203. Section 32, as amended, of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes," approved August 24, 1935, is amended by striking out "*Provided further*, That no part of the funds appropriated by this section shall be used for the payment of benefits in connection with the exportation of unmanufactured³ cotton", and is further amended by adding at the end thereof the following: "Notwithstanding any other provision of this section, the amount that may be devoted, during any fiscal year after June 30, 1939, to any one agricultural commodity or the products thereof in such fiscal year, shall not exceed 25 per centum of the funds available under this section for such fiscal year."

CONTINUATION OF FEDERAL SURPLUS COMMODITIES CORPORATION

SEC. 204. The Act entitled "An Act to extend the time for purchase and distribution of surplus agricultural commodities for relief purposes and to continue the Federal Surplus Commodities Corporation," approved June 28, 1937 (Public, Numbered 165, Seventy-fifth Congress), is amended by striking out "continued, until June 30, 1939," and inserting in lieu thereof "continued, until June 30, 1942,". The Federal Surplus Commodities Corporation shall submit to Congress on the first day of each regular session an annual report setting forth a statement of the activities, receipts, and expenditures of the Corporation during the previous fiscal year.

TITLE III—LOANS, PARITY PAYMENTS, CONSUMER SAFEGUARDS, AND MARKETING QUOTAS

SUBTITLE A—DEFINITIONS, LOANS, PARITY PAYMENTS, AND CONSUMER SAFEGUARDS

DEFINITIONS

SEC. 301. (a) GENERAL DEFINITIONS.—For the purposes of this title and the declaration of policy—

(1) "Parity," as applied to prices for any agricultural commodity, shall be that price for the commodity which will give to the commodity a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of such commodity in the base period; and, in the case of all commodities for which the base period is the period August 1909 to July 1914, which will also reflect current interest payments per acre on farm indebtedness secured by real estate, tax payments per acre on farm real estate, and freight rates, as contrasted with such interest payments, tax payments, and freight rates during the base period. The base period in the case of all agricultural commodities except tobacco shall be the period August 1909 to July 1914, and, in the case of tobacco, shall be the period August 1919 to July 1929.

(2) "Parity," as applied to income, shall be that per capita net income of individuals on farms from farming operations that bears to the per capita

³ So in original.

net income of individuals not on farms the same relation as prevailed during the period from August 1909 to July 1914.

(3) The term "interstate and foreign commerce" means sale, marketing, trade, and traffic between any State or Territory or the District of Columbia or Puerto Rico, and any place outside thereof; or between points within the same State or Territory or within the District of Columbia or Puerto Rico, through any place outside thereof; or within any Territory or within the District of Columbia or Puerto Rico.

(4) The term "affect interstate and foreign commerce" means, among other things, in such commerce, or to burden or obstruct such commerce or the free and orderly flow thereof; or to create or tend to create a surplus of any agricultural commodity which burdens or obstructs such commerce or the free and orderly flow thereof.

(5) The term "United States" means the several States and Territories and the District of Columbia and Puerto Rico.

(6) The term "State" includes a Territory and the District of Columbia and Puerto Rico.

(7) The term "Secretary" means the Secretary of Agriculture, and the term "Department" means the Department of Agriculture.

(8) The term "person" means an individual, partnership, firm, joint-stock company, corporation, association, trust, estate, or any agency of a State.

(9) The term "corn" means field corn.

(b) DEFINITIONS APPLICABLE TO ONE OR MORE COMMODITIES.—For the purposes of this title—

(1) (A) "Actual production" as applied to any acreage of corn means the number of bushels of corn which the local committee determines would be harvested as grain from such acreage if all the corn on such acreage were so harvested. In case of a disagreement between the farmer and the local committee as to the actual production of the acreage of corn on the farm, or in case the local committee determines that such actual production is substantially below normal, the local committee, in accordance with regulations of the Secretary, shall weigh representative samples of ear corn taken from the acreage involved, make proper deductions for moisture content, and determine the actual production of such acreage on the basis of such samples.

(B) "Actual production" of any number of acres of cotton on a farm means the actual average yield for the farm times such number of acres.

(2) "Bushel" means in the case of ear corn that amount of ear corn, including not to exceed $15\frac{1}{2}$ per centum of moisture content, which weighs seventy pounds, and in the case of shelled corn, means that amount of shelled corn including not to exceed $15\frac{1}{2}$ per centum of moisture content, which weighs fifty-six pounds.

(3) (A) "Carry-over," in the case of corn and rice, for any marketing year shall be the quantity of the commodity on hand in the United States at the beginning of such marketing year, which was produced in the United States prior to the beginning of the calendar year then current.

(B) "Carry-over" of cotton for any marketing year shall be the quantity of cotton on hand either within or without the United States at the beginning of such marketing year, which was produced in the United States prior to the beginning of the calendar year then current.

(C) "Carry-over" of tobacco for any marketing year shall be the quantity of such tobacco on hand in the United States at the beginning of such marketing year, which was produced in the United States prior to the beginning of the calendar year then current, except that in the case of cigar-filler and cigar-binder tobacco the quantity of type 46 on hand and theretofore produced in the United States during such calendar year shall also be included.

(D) "Carry-over" of wheat, for any marketing year shall be the quantity of wheat on hand in the United States at the beginning of such marketing year, not including any wheat which was produced in the United States during the calendar year then current, and not including any wheat held by the Federal Crop Insurance Corporation under Title V.

(4) (A) "Commercial corn-producing area" shall include all counties in which the average production of corn (excluding corn used as silage) during the ten calendar years immediately preceding the calendar year for which such area is determined, after adjustment for abnormal weather conditions, is four hundred and fifty bushels or more per farm and four bushels or more for each acre of farm land in the county.

(B) Whenever prior to February 1 of any calendar year the Secretary has reason to believe that any county which is not included in the commercial corn-

producing area determined pursuant to the provisions of subparagraph (A), but which borders upon one of the counties in such area, or that any minor civil division in a county bordering on such area, is producing (excluding corn used for silage) an average of at least four hundred and fifty bushels of corn per farm and an average of at least four bushels for each acre of farm land in the county or in the minor civil division, as the case may be, he shall cause immediate investigation to be made to determine such fact. If, upon the basis of such investigation, the Secretary finds that such county or minor civil division is likely to produce corn in such average amounts during such calendar year, he shall proclaim such determination, and, commencing with such calendar year, such county shall be included in the commercial corn-producing area. In the case of a county included in the commercial corn-producing area pursuant to this subparagraph, whenever prior to February 1 of any calendar year the Secretary has reason to believe that facts justifying the inclusion of such county are not likely to exist in such calendar year, he shall cause an immediate investigation to be made with respect thereto. If, upon the basis of such investigation the Secretary finds that such facts are not likely to exist in such calendar year, he shall proclaim such determination, and commencing with such calendar year, such county shall be excluded from the commercial corn-producing area.

(5) "Farm consumption" of corn means consumption by the farmer's family, employees, or household, or by his work stock; or consumption by poultry or livestock on his farm if such poultry or livestock, or the products thereof, are consumed or to be consumed by the farmer's family, employees, or household.

(6) (A) "Market," in the case of cotton, wheat, and tobacco, means to dispose of by sale, barter, or exchange, but, in the case of wheat, does not include disposing of wheat as premium to the Federal Crop Insurance Corporation under Title V.

(B) "Market," in the case of corn, means to dispose of by sale, barter, or exchange, or by feeding (in any form) to poultry or livestock which, or the products of which, are sold, bartered, or exchanged, or to be so disposed of.

(C) "Market," in the case of rice, means to dispose of by sale, barter, or exchange of rice used or to be used for human consumption.

(D) "Marketed," "marketing," and "for market" shall have corresponding meanings to the term "market" in the connection in which they are used.

(7) "Marketing year" means, in the case of the following commodities, the period beginning on the first and ending with the second date specified below:

Corn, October 1–September 30;

Cotton, August 1–July 31;

Rice, August 1–July 31;

Tobacco (flue-cured), July 1–June 30;

Tobacco (other than flue-cured), October 1–September 30;

Wheat, July 1–June 30.

(8) "National average yield" as applied to cotton or wheat shall be the national average yield per acre of the commodity during the ten calendar years in the case of wheat, and during the five calendar years in the case of cotton, preceding the year in which such national average yield is used in any computation authorized in this title, adjusted for abnormal weather conditions and, in the case of wheat but not in the case of cotton, for trends in yields.

(9) "Normal production" as applied to any number of acres of corn, cotton, or wheat means the normal yield for the farm times such number of acres.

(10) (A) "Normal supply" in the case of corn, cotton, rice, and wheat shall be a normal year's domestic consumption and exports of the commodity, plus 7 per centum in the case of corn, 40 per centum in the case of cotton, 10 per centum in the case of rice, and 15 per centum in the case of wheat, of a normal year's domestic consumption and exports, as an allowance for a normal carry-over.

(B) The "normal supply" of tobacco shall be a normal year's domestic consumption and exports plus 175 per centum of a normal year's domestic consumption and 65 per centum of a normal year's exports as an allowance for a normal carry-over.

(11) (A) "Normal year's domestic consumption," in the case of corn and wheat, shall be the yearly average quantity of the commodity, wherever produced, that was consumed^{*} in the United States during the ten marketing years immediately preceding the marketing year in which such consumption is determined, adjusted for current trends in such consumption.

^{*} So in original.

(B) "Normal year's domestic consumption," in the case of cotton and tobacco, shall be the yearly average quantity of the commodity produced in the United States that was consumed in the United States during the ten marketing years immediately preceding the marketing year in which such consumption is determined, adjusted for current trends in such consumption.

(C) "Normal year's domestic consumption," in the case of rice, shall be the yearly average quantity of rice produced in the United States that was consumed in the United States during the five marketing years immediately preceding the marketing year in which such consumption is determined, adjusted for current trends in such consumption.

(12) "Normal year's exports" in the case of corn, cotton, rice, tobacco, and wheat shall be the yearly average quantity of the commodity produced in the United States that was exported from the United States during the ten marketing years (or, in the case of rice, the five marketing years) immediately preceding the marketing year in which such exports are determined, adjusted for current trends in such exports.

(13) (A) "Normal yield" for any *county*,⁵ in the case of corn, shall be the average yield per acre of corn for the *county*⁵ during the ten calendar years immediately preceding the year in which such normal yield is used in computing any farm marketing quota or adjustment thereof, adjusted for abnormal weather conditions and trends in yields.

(B) "Normal yield" for any *county*,⁶ in the case of wheat or cotton, shall be the average yield per acre of wheat or cotton for the *county*⁶ adjusted for abnormal weather conditions, and, in the case of wheat but not in the case of cotton, for trends in yields, during the ten calendar years in the case of wheat, and five calendar years in the case of cotton, immediately preceding the year with respect to which such normal yield is used in any computation authorized under this title.

(C) In applying subparagraph (A) or (B), if for any such year the data are not available, or there is no actual yield, an appraised yield for such year, determined in accordance with regulations issued by the Secretary, shall be used as the actual yield for such year. In applying such subparagraphs, if, on account of drought, flood, insect pests, plant disease, or other uncontrollable natural cause, the yield in any year of such ten-year period or five-year period, as the case may be, is less than 75 per centum of the average (computed without regard to such year) such year shall be eliminated in calculating the normal yield per acre.

(D) "Normal yield" per acre of rice for any land planted to rice in any year shall be the average yield per acre thereof during the five calendar years immediately preceding the calendar year for which such normal yield is determined. If, for any reason, there is no actual yield or the data therefor are not available for any year, then an appraised yield for such year, determined in accordance with the regulations of the Secretary, shall be used. If the average of the normal yields for all lands planted to rice in any year in the State (weighted by the acreage allotments therein) exceeds the average yield per acre for the State during the period used in determining normal yields, the normal yields for such lands in the State shall be reduced pro rata so that the average of such normal yields shall not exceed such State average yield.

(E) "Normal yield" for any farm, in the case of corn, wheat, or cotton, shall be the average yield per acre of corn, wheat, or cotton, as the case may be, for the farm, adjusted for abnormal weather conditions and, in the case of corn and wheat, but not in the case of cotton, for trends in yields, during the ten calendar years in the case of corn and wheat, and five calendar years in the case of cotton, immediately preceding the year with respect to which such normal yield is used in any computation authorized under this title. If for any such year the data are not available or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, and the yield in years for which data are available.⁷

⁵ The italicized word was substituted, by sec. 2 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of the word "farm."

⁶ The italicized word was substituted, by sec. 3 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of the word "farm."

⁷ This paragraph (E) of subsec. (b) (13) was added by sec. 4 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

(14) (A) "Reserve supply level," in the case of corn, shall be a normal year's domestic consumption and exports of corn plus 10 per centum of a normal year's domestic consumption and exports, to insure a supply adequate to meet domestic consumption and export needs in years of drought, flood, or other adverse conditions, as well as in years of plenty.

(B) "Reserve supply level" of tobacco shall be the normal supply plus 5 per centum thereof, to insure a supply adequate to meet domestic consumption and export needs in years of drought, flood, or other adverse conditions, as well as in years of plenty.

(15) "Tobacco" means each one of the kinds of tobacco listed below comprising the types specified as classified in Service and Regulatory Announcement Numbered 118 of the Bureau of Agricultural Economics of the Department:

Flue-cured tobacco, comprising types 11, 12, 13, and 14;

Fire-cured and dark air-cured tobacco, comprising types 21, 22, 23, 24, 35, 36, and 37;

Burley tobacco, comprising type 31;

Maryland tobacco, comprising type 32;

Cigar-filler and cigar-binding tobacco, comprising types 42, 43, 44, 45, 46, 51, 52, 53, 54, and 55;

Cigar-filler tobacco, comprising type 41.

The provisions of this title shall apply to each of such kinds of tobacco severally.

(16) (A) "Total supply" of corn, cotton, rice, and wheat for any marketing year shall be the carry-over of the commodity for such marketing year plus the estimated production of the commodity in the United States during the calendar year in which such marketing year begins.

(B) "Total supply" of tobacco for any marketing year shall be the carry-over at the beginning of such marketing year plus the estimated production thereof in the United States during the calendar year in which such marketing year begins, except that the estimated production of type 46 tobacco during the marketing year with respect to which the determination is being made shall be used in lieu of the estimated production of such type during the calendar year in which such marketing year begins in determining the total supply of cigar-filler and cigar-binding tobacco.

(c) The latest available statistics of the Federal Government shall be used by the Secretary in making the determinations required to be made by the Secretary under this Act.

LOANS ON AGRICULTURAL COMMODITIES

SEC. 302. (a) The Commodity Credit Corporation is authorized, upon recommendation of the Secretary and with the approval of the President, to make available loans on agricultural commodities (including dairy products). Except as otherwise provided in this section, the amount, terms, and conditions of such loans shall be fixed by the Secretary, subject to the approval of the Corporation and the President.

(b) The Corporation is directed to make available to cooperators loans upon wheat during any marketing year beginning in a calendar year in which the farm price of wheat on June 15 *or at any time thereafter during such marketing year*;* is below 52 per centum of the parity price *at any such time*^o or the July crop estimate for wheat is in excess of a normal year's domestic consumption and exports, at rates not less than 52 per centum and not more than 75 per centum of the parity price of wheat at the beginning of the marketing year. In case marketing quotas for wheat are in effect in any marketing year, the Corporation is directed to make available, during such marketing year, to noncooperators, loans upon wheat at 60 per centum of the rate applicable to cooperators. A loan on wheat to a noncooperator shall be made only on so much of his wheat as would be subject to penalty if marketed.

(c) The Corporation is directed to make available to cooperators loans upon cotton during any marketing year beginning in a calendar year in which the

* The italicized words and the semicolon were added by sec. 502 (a) of the Price Adjustment Act of 1938, Title V of Public Res. No. 122, 75th Cong., approved June 21, 1938.

^o The italicized words were substituted by sec. 502 (a) of the Price Adjustment Act of 1938, Public Res. No. 122, 75th Cong., approved June 21, 1938, in lieu of the words "on such date."

average price on August 1 *or at any time thereafter during such marketing year*¹⁰ of seven-eighths Middling spot cotton on the ten markets designated by the Secretary is below 52 per centum of the parity price of cotton *at any such time*¹¹ or the August crop estimate for cotton is in excess of a normal year's domestic consumption and exports, at rates not less than 52 per centum and not more than 75 per centum of the parity price of cotton as of the beginning of the marketing year. In case marketing quotas for cotton are in effect in any marketing year, the Corporation is directed to make available, during such marketing year, to noncooperators, loans upon cotton at 60 per centum of the rate applicable to cooperators. A loan on cotton to a noncooperator shall be made only on so much of his cotton as would be subject to penalty if marketed.

(d) The Corporation is directed to make available loans upon corn during any marketing year beginning in the calendar year in which the November crop estimate for corn is in excess of a normal year's domestic consumption and exports, or in any marketing year when on November 15 *or at any time thereafter during such marketing year*¹² the farm price of corn is below 75 per centum of the parity price, at the following rates:

75 per centum of such parity price if such estimate does not exceed a normal year's consumption and exports and the farm price of corn is below 75 per centum of the parity price on November 15 *or at any time thereafter during such marketing year*;¹³

70 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by not more than 10 per centum;

65 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 10 per centum and not more than 15 per centum;

60 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 15 per centum and not more than 20 per centum;

55 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 20 per centum and not more than 25 per centum;

52 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 25 per centum.

Loans shall be made to cooperators in the commercial corn-producing area at the applicable rate of the above schedule. Loans shall be made to noncooperators within such commercial corn-producing area but only during a marketing year in which farm marketing quotas are in effect and only on corn stored under seal pursuant to section 324, and the rate of such loans shall be 60 per centum of the applicable rate under the above schedule. Loans shall be made to cooperators outside such commercial corn-producing area, and the rate of such loans shall be 75 per centum of the applicable rate under the above schedule.

(e) The rates of loans under subsections (b), (c), and (d) on wheat, cotton, and corn not of standard grade, type, staple, or quality shall be increased or decreased in relation to the rates above provided by such amounts as the Secretary prescribes as properly reflecting differences from standard in grade, type, staple, and quality.

(f) For the purposes of subsections (b), (c), and (d), a cooperator shall be a producer on whose farm the acreage planted to the commodity for the crop with respect to which the loan is made does not exceed the farm acreage allotment for the commodity under this title, or, in the case of loans upon corn to a producer outside the commercial corn-producing area, a producer on whose farm the acreage planted to soil-depleting crops does not exceed the farm acreage allotment for soil-depleting crops for the year in which the loan is made under the Soil Conservation and Domestic Allotment Act, as amended. For the purposes of this subsection a producer shall not be deemed to have exceeded his farm acreage allotment unless such producer knowingly exceeded his farm acreage allotment.

¹⁰ The italicized words were added by sec. 502 (b) of the Price Adjustment Act of 1938, Title V of Public Res. No. 122, 75th Cong., approved June 21, 1938.

¹¹ The italicized words were substituted by sec. 502 (b) of the Price Adjustment Act of 1938, Public Res. No. 122, 75th Cong., approved June 21, 1938, in lieu of the words "on such date."

¹² The italicized words were added by sec. 502 (c) of the Price Adjustment Act of 1938, Public Res. No. 122, 75th Cong., approved June 21, 1938.

(g) Notwithstanding any other provision of this section, if the farmers producing cotton, wheat, corn, or rice indicate by vote in a referendum carried out pursuant to the provisions of this title that marketing quotas with respect to such commodity are opposed by more than one-third of the farmers voting in such referendum, no loan shall be made pursuant to this section with respect to the commodity during the period from the date on which the results of the referendum are proclaimed by the Secretary until the beginning of the second succeeding marketing year for such commodity. This subsection shall not limit the availability or renewal of any loan previously made.

(h) No producer shall be personally liable for any deficiency arising from the sale of the collateral securing any loan under this section unless such loan was obtained through fraudulent representations by the producer.

(i) In carrying out this section the Corporation is directed, with the consent of the Secretary, to utilize the services, facilities, and personnel of the Department.

PARITY PAYMENTS

SEC. 303. If and when appropriations are made therefor, the Secretary is authorized and directed to make payments to producers of corn, wheat, cotton, rice, or tobacco, on their normal production of such commodities in amounts which, together with the proceeds thereof, will provide a return to such producers which is as nearly equal to parity price as the funds so made available will permit. All funds available for such payments with respect to these commodities shall, unless otherwise provided by law, be apportioned to these commodities in proportion to the amount by which each fails to reach the parity income. Such payments shall be in addition to and not in substitution for any other payments authorized by law.

CONSUMER SAFEGUARDS

SEC. 304. The powers conferred under this act shall not be used to discourage the production of supplies of foods and fibers sufficient to maintain normal domestic human consumption as determined by the Secretary from the records of domestic human consumption in the years 1920 to 1929, inclusive, taking into consideration increased population, quantities of any commodity that were forced into domestic consumption by decline in exports during such period, current trends in domestic consumption and exports of particular commodities, and the quantities of substitutes available for domestic consumption within any general class of food commodities. In carrying out the purposes of this act it shall be the duty of the Secretary to give due regard to the maintenance of a continuous and stable supply of agricultural commodities from domestic production adequate to meet consumer demand at prices fair to both producers and consumers.

SUBTITLE B—MARKETING QUOTAS

PART I.—MARKETING QUOTAS—TOBACCO LEGISLATIVE FINDING

SEC. 311 (a) The marketing of tobacco constitutes one of the great basic industries of the United States with ramifying activities which directly affect interstate and foreign commerce at every point, and stable conditions therein are necessary to the general welfare. Tobacco produced for market is sold on a Nation-wide market and, with its products, moves almost wholly in interstate and foreign commerce from the producer to the ultimate consumer. The farmers producing such commodity are subject in their operations to uncontrollable natural causes, are widely scattered throughout the Nation, in many cases such farmers carry on their farming operations on borrowed money or leased lands, and are not so situated as to be able to organize effectively, as can labor and industry through unions and corporations enjoying Government protection and sanction. For these reasons, among others, the farmers are unable without Federal assistance to control effectively the orderly marketing of such commodity with the result that abnormally excessive supplies thereof are produced and dumped indiscriminately on the Nation-wide market.

(b) The disorderly marketing of such abnormally excessive supplies affects, burdens, and obstructs interstate and foreign commerce by (1) materially affecting the volume of such commodity marketed therein, (2) disrupting the

orderly marketing of such commodity therein, (3) reducing the price for such commodity with consequent injury and destruction of interstate and foreign commerce in such commodity, and (4) causing a disparity between the prices for such commodity in interstate and foreign commerce and industrial products therein, with a consequent diminution of the volume of interstate and foreign commerce in industrial products.

(c) Whenever an abnormally excessive supply of tobacco exists, the marketing of such commodity by the producers thereof directly and substantially affects interstate and foreign commerce in such commodity and its products, and the operation of the provisions of this Part becomes necessary and appropriate in order to promote, foster, and maintain an orderly flow of such supply in interstate and foreign commerce.

NATIONAL MARKETING QUOTA

SEC. 312. (a) Whenever, on the 15th day of November of any calendar year, the Secretary finds that the total supply of tobacco as of the beginning of the marketing year then current exceeds the reserve supply level therefor, the Secretary shall proclaim the amount of such total supply, and, beginning on the first day of the marketing year next following and continuing throughout such year, a national marketing quota shall be in effect for the tobacco marketed during such marketing year. The Secretary shall also determine and specify in such proclamation the amount of the national marketing quota in terms of the total quantity of tobacco which may be marketed, which will make available during such marketing year a supply of tobacco equal to the reserve supply level. Such proclamation shall be made not later than the 1st day of December in such year.¹³

(b) Whenever in the case of burley tobacco, and fire-cured and dark air-cured tobacco, respectively, the total supply proclaimed pursuant to the provisions of subsection (a) of this section exceeds the reserve supply level by more than 5 per centum and a national marketing quota is not in effect for such tobacco during the marketing year then current, a national marketing quota shall also be in effect for such tobacco marketed during the period from the date of such proclamation to the end of such current marketing year, and the Secretary shall determine and shall specify in such proclamation the amount of such national marketing quota in terms of the total quantity which may be marketed, which will make available during such current marketing year a supply of tobacco equal to the reserve supply level. The provisions of this subsection shall not be effective prior to the beginning of the marketing year beginning in the calendar year 1938.

(c) Within thirty days after the date of the issuance of the proclamation specified in subsection (a) of this section, the Secretary shall conduct a referendum of farmers who were engaged in production of the crop of tobacco harvested prior to the holding of the referendum to determine whether such farmers are in favor of or opposed to such quota. If in the case of burley tobacco, or fire-cured and dark air-cured tobacco, respectively, farmers would be subject to a national quota for the next succeeding marketing year pursuant to the provisions of subsection (a) of this section, and also to a national marketing quota for the current marketing year pursuant to the provisions of subsection (b) of this section, the referendum shall provide for voting with respect to each such quota. If more than one-third of the farmers voting in the referendum oppose such quota, the Secretary shall, prior to the 1st day of January, proclaim the result of the referendum and such quota shall not be effective thereafter.¹⁴

(d) In connection with the determination and proclamation of any marketing quota for the 1938-1939 marketing year, the determination by the Secretary pursuant to subsection (a) of this section shall be made and proclaimed within fifteen days following the date of the enactment of this Act, and the proclamation of the Secretary pursuant to subsection (c) of this section shall be made within forty-five days following the date of the enactment of this Act.

¹³ Sec. 19 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, provides as follows:

"The proclamation heretofore issued by the Secretary of Agriculture under sections 312 (a), 327, 328, and 345 of the Agricultural Adjustment Act of 1938 shall be effective as provided in said sections, and no provision of any amendment made by this Act shall be construed as requiring any further action under section 312 (c) or 347 of the Agricultural Adjustment Act of 1938 with respect to marketing years beginning in 1938."

(e) Marketing quotas shall not be in effect with respect to cigar-filler tobacco comprising type 41 during the marketing year beginning in 1938 or the marketing year beginning in 1939.

(f) *Notwithstanding any other provisions of this Act, the Secretary shall, within fifteen days after the enactment of this subsection (f), proclaim the amount of the total supply of burley tobacco for the marketing year therefor beginning October 1, 1937, and a national marketing quota shall be in effect for burley tobacco marketed during the marketing year for such tobacco beginning October 1, 1938. The Secretary shall also determine and specify in such proclamation the amount of such national marketing quota in terms of the total quantity of such tobacco which may be marketed, which will make available during the marketing year beginning October 1, 1938, a supply of such tobacco equal to the reserve supply level. The referendum with respect to such quota, pursuant to subsection (c) of this section, shall be held and the results thereof proclaimed within forty-five days after the enactment of this subsection (f).*¹⁴

SEC. 313. (a) The national marketing quota for tobacco established pursuant to the provisions of section 312, less the amount to be allotted under subsection (c) of this section, shall be apportioned by the Secretary among the several States on the basis of the total production of tobacco in each State during the five calendar years immediately preceding the calendar year in which the quota is proclaimed (plus, in applicable years, the normal production on the¹⁵ acreage diverted under previous agricultural adjustment and conservation programs), with such adjustments as are determined to be necessary to make correction for abnormal conditions of production, for small farms, and for trends in production, giving due consideration to seed bed and other plant diseases during such five-year period: *Provided, however,* That to prevent in any case too sharp and sudden reduction in acreage of tobacco production in any State, the marketing quota for flue-cured tobacco for any State for any marketing year shall not be reduced to a point less than 75 per centum of the production of flue-cured tobacco in such State for the year 1937.

(b) The Secretary shall provide, through the local committees, for the allotment of the marketing quota for any State among the farms on which tobacco is produced, on the basis of the following: Past marketing of tobacco, making due allowance for drought, flood, hail, other abnormal weather conditions, plant bed, and other diseases; land, labor, and equipment available for the production of tobacco; crop-rotation practices; and the soil and other physical factors affecting the production of tobacco: *Provided,* That, except for farms on which for the first time in five years tobacco is produced to be marketed in the marketing year for which the quota is effective, the marketing quota for any farm shall not be less than the smaller of either (1) three thousand two hundred pounds, in the case of flue-cured tobacco, and two thousand four hundred pounds, in the case of other kinds of tobacco, or (2) the average tobacco production for the farm during the preceding three years, plus the average normal production of any tobacco acreage diverted under agricultural adjustment and conservation programs during such preceding three years.

(c) The Secretary shall provide through local committees, for the allotment of not in excess of 5 per centum of the national marketing quota (1) to farms in any State whether it has a State quota or not on which for the first time in five years tobacco is produced to be marketed in the year for which the quota is effective and (2) for further increase of allotments to small farms pursuant to the proviso in subsection (b) of this section on the basis of the following: Land, labor, and equipment available for the production of tobacco; crop-rotation practices; and the soil and other physical factors affecting the production of tobacco: *Provided,* That farm marketing quotas established pursuant to this subsection for farms on which tobacco is produced for the first time in five years shall not exceed 75 per centum of the farm marketing quotas established pursuant to subsection (b) of this section for farms which are similar with respect to the following: Land, labor, and equipment available for the production of tobacco, crop-rotation practices, and the soil and other physical factors affecting the production of tobacco.

¹⁴ This subsection (f) was added by the act entitled "An act amending section 312 of the Agricultural Adjustment Act of 1938," Public, No. 452, 75th Cong., approved March 26, 1938.

¹⁵ The word "net" was deleted by sec. 5 (a) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

(d) Farm marketing quotas may be transferred only in such manner and subject to such conditions as the Secretary may prescribe by regulations.

(e) *In case of flue-cured tobacco, the national quota for 1938 is increased by a number of pounds required to provide for each State in addition to the State poundage allotment a poundage not in excess of 4 per centum¹⁶ of the allotment which shall be apportioned in amounts which the Secretary determines to be fair and reasonable to farms in the State receiving allotments under the Agricultural Adjustment Act of 1938 which the Secretary determines are inadequate in view of past production of tobacco, and for each year by a number of pounds sufficient to assure that any State receiving a State poundage allotment of flue-cured tobacco shall receive a minimum State poundage allotment of flue-cured tobacco equal to the average national yield for the preceding five years of five hundred acres of such tobacco.¹⁷*

(f) *In the case of fire-cured and dark air-cured and burley tobacco, the national quota for 1938 is increased by a number of pounds required to provide for each State in addition to the State poundage allotment a poundage not in excess of 2 per centum of the allotment which shall be apportioned in amounts which the Secretary determines to be fair and reasonable to farms in the State receiving allotments under this section which the Secretary determines are inadequate in view of past production of tobacco.¹⁸*

PENALTIES

SEC. 314. The marketing of any tobacco in excess of the marketing quota for the farm on which the tobacco is produced, except the marketing of any such tobacco for nicotine or other byproduct uses, shall be subject to a penalty of 50 per centum of the market price of such tobacco on the date of such marketing, or, if the following rates are higher, 3 cents per pound in the case of flue-cured, Maryland, or burley, and 2 cents per pound in the case of all other kinds of tobacco. Such penalty shall be paid by the person who acquires such tobacco from the producer but an amount equivalent to the penalty may be deducted by the buyer from the price paid to the producer in case such tobacco is marketed by sale; or, if the tobacco is marketed by the producer through a warehouseman or other agent, such penalty shall be paid by such warehouseman or agent who may deduct an amount equivalent to the penalty from the price paid to the producer: Provided, That in case any tobacco is marketed directly to any person outside the United States the penalty shall be paid and remitted by the producer.

PART II.—MARKETING QUOTAS—CORN

LEGISLATIVE FINDING

SEC. 321. Corn is a basic source of food for the Nation, and corn produced in the commercial corn-producing area moves almost wholly in interstate and foreign commerce in the form of corn, livestock, and livestock products.

Abnormally excessive and abnormally deficient supplies of corn acutely and directly affect, burden, and obstruct interstate and foreign commerce in corn, livestock, and livestock products. When abnormally excessive supplies exist, transportation facilities in interstate and foreign commerce are overtaxed, and the handling and processing facilities through which the flow of interstate and foreign commerce in corn, livestock, and livestock products is directed become acutely congested. Abnormally deficient supplies result in substantial decreases in livestock production and in an inadequate flow of livestock and livestock products in interstate and foreign commerce, with the consequence of unreasonably high prices to consumers.

Violent fluctuations from year to year in the available supply of corn disrupt the balance between the supply of livestock and livestock products moving in interstate and foreign commerce and the supply of corn available for feeding. When available supplies of corn are excessive, corn prices are low and farmers

¹⁶ The bold-faced words were substituted by sec. 2 (a) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938," Public, No. 557, 75th Cong., approved May 31, 1938, in lieu of the expression "2 per centum."

¹⁷ This italicized subsection was added by sec. 5 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

¹⁸ This subsection (f) was added by sec. 2 (b) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938," Public, No. 557, 75th Cong., approved May 31, 1938.

overexpand livestock production in order to find outlets for corn. Such expansion, together with the relative scarcity and high price of corn, forces farmers to market abnormally excessive supplies of livestock in interstate commerce at sacrifice prices, endangering the financial stability of producers, and overtaxing handling and processing facilities through which the flow of interstate and foreign commerce in livestock and livestock products is directed. Such excessive marketings deplete livestock on farms, and livestock marketed in interstate and foreign commerce consequently becomes abnormally low, with resultant high prices to consumers and danger to the financial stability of persons engaged in transporting, handling, and processing livestock in interstate and foreign commerce. These high prices in turn result in another overexpansion of livestock production.

Recurring violent fluctuations in the price of corn resulting from corresponding violent fluctuations in the supply of corn directly affect the movement of livestock in interstate commerce from the range cattle regions to the regions where livestock is fattened for market in interstate and foreign commerce, and also directly affect the movement in interstate commerce of corn marketed as corn which is transported from the regions where produced, to the regions where livestock is fattened for market in interstate and foreign commerce.

Substantially all the corn moving in interstate commerce, substantially all the corn fed to livestock transported in interstate commerce for fattening, and substantially all the corn fed to livestock marketed in interstate and foreign commerce, is produced in the commercial corn-producing area. Substantially all the corn produced in the commercial corn-producing area, with the exception of a comparatively small amount used for farm consumption, is either sold or transported in interstate commerce, or is fed to livestock transported in interstate commerce for feeding, or is fed to livestock marketed in interstate and foreign commerce. Almost all the corn produced outside the commercial corn-producing area is either consumed, or is fed to livestock which is consumed, in the State in which such corn is produced.

The conditions affecting the production and marketing of corn and the livestock products of corn are such that, without Federal assistance, farmers, individually or in cooperation, cannot effectively prevent the recurrence of disparities between the supplies of livestock moving in interstate and foreign commerce and the supply of corn available for feeding, and provide for orderly marketing of corn in interstate and foreign commerce and livestock and livestock products in interstate and foreign commerce.

The national public interest requires that the burdens on interstate and foreign commerce above described be removed by the exercise of Federal power. By reason of the administrative and physical impracticability of regulating the movement of livestock and livestock products in interstate and foreign commerce and the inadequacy of any such regulation to remove such burdens, such power can be feasibly exercised only by providing for the withholding from market of excessive and burdensome supplies of corn in times of excessive production, and providing a reserve supply of corn available for market in times of deficient production, in order that a stable and continuous flow of livestock and livestock products in interstate and foreign commerce may at all times be assured and maintained.

FARM MARKETING QUOTAS

SEC. 322. (a) Whenever in any calendar year the Secretary determines from available statistics of the Department, including the August production estimate officially published by the Division of Crop and Livestock Estimates of the Bureau of Agricultural Economics of the Department, that the total supply of corn as of October 1 will exceed the normal supply thereof by more than 10 per centum, marketing quotas shall be in effect in the commercial corn-producing area for the crop of corn grown in such area in such calendar year, and shall remain in effect until terminated in accordance with the provisions of this title.

(b) The Secretary shall determine, on the basis of the estimated average yield of corn in such area for such crop, the acreage in such area which the Secretary determines would make available for the marketing year beginning October 1 a supply of corn (together with the estimated production of corn in the United States outside such area) equal to the normal supply. The percentage which the number of acres so determined is of the total number of

acres of the acreage allotment under section 328 shall be proclaimed by the Secretary. Such percentage is referred to herein as the "marketing percentage."

(c) The Secretary shall proclaim his determinations of facts under subsection (a) and his determination of the marketing percentage under subsection (b) not later than August 15.

(d) Within twenty days after the date of the issuance of the proclamation provided for in subsection (c) of this section, the Secretary shall conduct a referendum, by secret ballot, of farmers who would be subject to such quotas to determine whether such farmers are in favor of or opposed to such quotas. If more than one-third of the farmers voting in the referendum oppose such quotas, the Secretary shall, prior to September 10, proclaim the result of the referendum and such quotas shall not become effective.

(e) Whenever it shall appear from the September production estimates, officially published by the Division of Crop and Livestock Estimates of the Bureau of Agricultural Economics of the Department, that the total supply of corn as of the beginning of the next succeeding marketing year will not exceed the normal supply by more than 10 per centum thereof, the Secretary shall proclaim such fact prior to September 20 if farm marketing quotas have been proclaimed for such marketing year. Thereupon such quotas shall not become effective.

AMOUNT OF FARM MARKETING QUOTA

SEC. 323. (a) The farm marketing quota for any farm with respect to any crop of corn shall be an amount of corn equal to the sum of—

(1) The amount of corn used as silage; and

(2) The actual production of the acreage of corn not used as silage less the amount required for farm consumption and less the storage amount applicable to the farm as ascertained under section 324.

(b) No farm marketing quota with respect to any crop of corn shall be applicable to any farm on which the normal production of the acreage planted to corn is less than three hundred bushels.

STORAGE AMOUNTS

SEC. 324. (a) If the acreage of corn on the farm does not exceed the marketing percentage of the farm acreage allotment, there shall be no storage amount.

(b) If the acreage of corn on the farm exceeds the marketing percentage of the farm acreage allotment, the storage amount shall be a number of bushels equal to the smallest of the following amounts—

(1) The normal production of the acreage of corn on the farm in excess of the marketing percentage of the farm acreage allotment;

(2) The amount by which the actual production of the acreage of corn on the farm exceeds the normal production of the marketing percentage of the farm acreage allotment; or

(3) The amount of the actual production of the acreage of corn on the farm not used for silage.

(c) If the storage amount ascertained under subsection (b) is less than one hundred bushels, there shall be no storage amount.

PENALTIES

SEC. 325. (a) Any farmer who, while any farm marketing quota is in effect for his farm with respect to any crop of corn, markets corn produced on the farm in an amount which is in excess of the aggregate of the farm marketing quotas for the farm in effect at such time, shall be subject to a penalty of 15 cents per bushel of the excess so marketed. Liability for such penalty shall not accrue until the amount of corn stored under seal on such farm or in storage cribs rented by the farmer or under his control is less than the storage amount applicable to such crop plus the storage amounts, if any, applicable to other crops.

(b) If there is stored under seal on the farm or in such cribs an amount of corn equal at least to the storage amount applicable to such crop plus such storage amounts applicable to such other crops, the farmer shall be presumed not to be violating the provisions of subsection (a). When the amount of corn stored under seal on the farm or in such cribs is less than the storage amount applicable to such crop plus such storage amounts applicable to such other crops, the

farmer shall be presumed to have marketed, while farm marketing quotas were in effect, corn in violation of the provisions of subsection (a) to the extent that the amount of corn so stored is less than the aggregate of such storage amounts. In any action brought to enforce the collection of penalties provided for in this section, the farmer, to the extent that the amount of corn so stored is less than the aggregate of such storage amounts shall have the burden of proving that he did not market corn in violation of the provisions of subsection (a).

(c) For the purposes of this Part, corn shall be deemed to be stored by the farmer under seal only if stored in such manner as to conform to the requirements of such regulations as the Secretary shall prescribe in order more effectively to administer this Part.

ADJUSTMENT OF FARM MARKETING QUOTAS

SEC. 326. (a) Whenever in any county or other area the Secretary finds that the actual production of corn plus the amount of corn stored under seal in such county or other area is less than the normal production of the marketing percentage of the farm acreage allotments in such county or other area, the Secretary shall terminate farm marketing quotas for corn in such county or other area.

(b) Whenever, upon any farm, the actual production of the acreage of corn is less than the normal production of the marketing percentage of the farm acreage allotment, there may be marketed, without penalty, from such farm an amount of corn from the corn stored under seal pursuant to section 324 which, together with the actual production of the then current crop, will equal the normal production of the marketing percentage of the farm acreage allotment.

(c) Whenever, in any marketing year, marketing quotas are not in effect with respect to the crop of corn produced in the calendar year in which such marketing year begins, all marketing quotas applicable to previous crops of corn shall be terminated.

PROCLAMATIONS OF SUPPLIES AND COMMERCIAL CORN-PRODUCING AREA

SEC. 327. Not later than September 1, the Secretary shall ascertain and proclaim the total supply, the normal supply, and the reserve supply level for such marketing year. Not later than February 1, the Secretary shall ascertain and proclaim the commercial corn-producing area. The ascertainment and proclamation of the commercial corn-producing area for 1938 shall be made not later than ten days after the date of the enactment of this Act.¹⁹

ACREAGE ALLOTMENT

SEC. 328. The acreage allotment of corn for any calendar year shall be that acreage in the commercial corn-producing area which, on the basis of the average yield for corn in such area during the ten calendar years immediately preceding such calendar year, *adjusted for abnormal weather conditions and trends in yield*,²⁰ will produce an amount of corn in such area which the Secretary determines will, together with corn produced in the United States outside the commercial corn-producing area, make available a supply for the marketing year beginning in such calendar year, equal to the reserve supply level. The Secretary shall proclaim such acreage allotment not later than February 1 of the calendar year for which such acreage allotment was determined. The proclamation of the acreage allotment for 1938 shall be made as soon as practicable after the date of the enactment of this Act.¹⁹

APPORTIONMENT OF ACREAGE ALLOTMENT

SEC. 329. (a) The acreage allotment for corn shall be apportioned by the Secretary among the counties in the commercial corn-producing area on the

¹⁹ Sec. 19 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, provides in part as follows:

"The proclamations heretofore issued by the Secretary of Agriculture under sections 312 (a), 327, 328, and 345 of the Agricultural Adjustment Act of 1938 shall be effective as provided in said sections * * *."

²⁰ The italicized words were added by sec. 6 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

basis of the acreage seeded for the production of corn during the ten calendar years immediately preceding the calendar year in which the apportionment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and for trends in acreage during such period and for the promotion of soil-conservation practices: *Provided*, That any downward adjustment for the promotion of soil-conservation practices shall not exceed 2 per centum of the total acreage allotment that would otherwise be made to such county.

(b) The acreage allotment to the county for corn shall be apportioned by the Secretary, through the local committees, among the farms within the county on the basis of tillable acreage, crop-rotation practices, type of soil, and topography.

PART III.—MARKETING QUOTAS—WHEAT

LEGISLATIVE FINDINGS

SEC. 331. Wheat is a basic source of food for the Nation, is produced throughout the United States by more than a million farmers, is sold on the country-wide market and, as wheat or flour, flows almost entirely through instrumentalities of interstate and foreign commerce from producers to consumers.

Abnormally excessive and abnormally deficient supplies of wheat on the country-wide market acutely and directly affect, burden, and obstruct interstate and foreign commerce. Abnormally excessive supplies overtax the facilities of interstate and foreign transportation, congest terminal markets and milling centers in the flow of wheat from producers to consumers, depress the price of wheat in interstate and foreign commerce, and otherwise disrupt the orderly marketing of such commodity in such commerce. Abnormally deficient supplies result in an inadequate flow of wheat and its products in interstate and foreign commerce with consequent injurious effects to the instrumentalities of such commerce and with excessive increases in the prices of wheat and its products in interstate and foreign commerce.

It is in the interest of the general welfare that interstate and foreign commerce in wheat and its products be protected from such burdensome surpluses and distressing shortages, and that a supply of wheat be maintained which is adequate to meet domestic consumption and export requirements in years of drought, flood, and other adverse conditions as well as in years of plenty, and that the soil resources of the Nation be not wasted in the production of such burdensome surpluses. Such surpluses result in disastrously low prices of wheat and other grains to wheat producers, destroy the purchasing power of grain producers for industrial products, and reduce the value of the agricultural assets supporting the national credit structure. Such shortages of wheat result in unreasonably high prices of flour and bread to consumers and loss of market outlets by wheat producers.

The conditions affecting the production and marketing of wheat are such that, without Federal assistance, farmers, individually or in cooperation, cannot effectively prevent the recurrence of such surpluses and shortages and the burdens on interstate and foreign commerce resulting therefrom, maintain normal supplies of wheat, or provide for the orderly marketing thereof in interstate and foreign commerce.

The provisions of this Part affording a cooperative plan to wheat producers are necessary in order to minimize recurring surpluses and shortages of wheat in interstate and foreign commerce, to provide for the maintenance of adequate reserve supplies thereof, and to provide for an adequate flow of wheat and its products in interstate and foreign commerce. The provisions hereof for regulation of marketing by producers of wheat whenever an abnormally excessive supply of such commodity exists are necessary in order to maintain an orderly flow of wheat in interstate and foreign commerce under such conditions.

PROCLAMATIONS OF SUPPLIES AND ALLOTMENTS

SEC. 332. Not later than July 15 of each marketing year for wheat, the Secretary shall ascertain and proclaim the total supply and the normal supply of wheat for such marketing year, and the national acreage allotment for the next crop of wheat.

NATIONAL ACREAGE ALLOTMENT

SEC. 333. The national acreage allotment for any crop of wheat shall be that acreage which the Secretary determines will, on the basis of the national average yield for wheat, produce an amount thereof adequate, together with the estimated carry-over at the beginning of the marketing year for such crop, to make available a supply for such marketing year equal to a normal year's domestic consumption and exports plus 30 per centum thereof. The national acreage allotment for wheat for 1938 shall be sixty-two million five hundred thousand acres. *The national acreage allotment for wheat for 1939 shall be not less than fifty-five million acres.*²¹

APPORTIONMENT OF NATIONAL ACREAGE ALLOTMENT

SEC. 334. (a) The national acreage allotment for wheat shall be apportioned by the Secretary among the several States on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and for trends in acreage during such period.

(b) The State acreage allotment for wheat shall be apportioned by the Secretary among the counties in the State, on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the ⁽²⁾ acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and trends in acreage during such period and for the promotion of soil-conservation practices.

(c) The allotment to the county shall be apportioned by the Secretary, through the local committees, among the farms within the county on the basis of tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3 per centum of such county allotment shall be apportioned to farms on which wheat has not been planted during any of the three marketing years immediately preceding the marketing year in which the allotment is made.

MARKETING QUOTAS

SEC. 335. (a) Whenever it shall appear that the total supply of wheat as of the beginning of any marketing year will exceed a normal year's domestic consumption and exports by more than 35 per centum, the Secretary shall, not later than the May 15 prior to the beginning of such marketing year, proclaim such fact and, during the marketing year beginning July 1 and continuing throughout such marketing year, a national marketing quota shall be in effect with respect to the marketing of wheat. The Secretary shall ascertain and specify in the proclamation the amount of the national marketing quota in terms of a total quantity of wheat and also in terms of a marketing percentage of the national acreage allotment for the current crop which he determines will, on the basis of the national average yield of wheat, produce the amount of the national marketing quota. Marketing quotas for any marketing year shall be in effect with respect to wheat harvested in the calendar year in which such marketing year begins, notwithstanding that the wheat is marketed prior to the beginning of such marketing year. No marketing quota with respect to the marketing of wheat shall be in effect for the marketing year beginning July 1, 1938, unless prior to the date of the proclamation of the Secretary, provision has been made by law for the payment, in whole or in part, in 1938 of parity payments with respect to wheat.

(b) The amount of the national marketing quota for wheat shall be equal to a normal year's domestic consumption and exports plus 30 per centum thereof, less the sum of (1) the estimated carry-over of wheat as of the beginning of the marketing year with respect to which the quota is proclaimed and (2) the

²¹ The italicized words were added by Public Res. No. 118, 75th Cong., approved June 20, 1938.

²² The word "net" was deleted by sec. 7 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

estimated amount of wheat which will be used on farms as seed or livestock feed during the marketing year.

(c) The farm marketing quota for any farm for any marketing year shall be a number of bushels of wheat equal to the sum of—

(1) A number of bushels equal to the normal production of a number of acres determined by applying the marketing percentage specified in the quota proclamation to the farm acreage allotment for the current crop; and

(2) A number of bushels of wheat equal to the amount, or part thereof, of wheat from any previous crop which the farmer has on hand which, had such amount, or part thereof, been marketed during the preceding marketing year in addition to the wheat actually marketed during such preceding marketing year, could have been marketed without penalty.

In no event shall the farm marketing quota for any farm be less than the normal production of half the farm acreage allotment for the farm.

(d) No farm marketing quota with respect to wheat shall be applicable in any marketing year to any farm on which the normal production of the acreage planted to wheat of the current crop is less than one hundred bushels.

REFERENDUM

SEC. 336. Between the date of the issuance of any proclamation of any national marketing quota for wheat and June 10, the Secretary shall conduct a referendum, by secret ballot, of farmers who will be subject to the quota specified therein to determine whether such farmers favor or oppose such quota. If more than one-third of the farmers voting in the referendum oppose such quota, the Secretary shall, prior to the effective date of such quota, by proclamation suspend the operation of the national marketing quotas with respect to wheat.

ADJUSTMENT AND SUSPENSION OF QUOTAS

SEC. 337. (a) If the total supply as proclaimed by the Secretary within forty-five days after the beginning of the marketing year is less than that specified in the proclamation by the Secretary under section 335 (a), then the national marketing quota specified in the proclamation under such section shall be increased accordingly.

(b) Whenever it shall appear from either the July or the August production estimates, officially published by the Division of Crop and Livestock Estimates of the Bureau of Agricultural Economics of the Department, that total supply of wheat as of the beginning of the marketing year was less than a normal year's domestic consumption and exports plus 30 per centum thereof, the Secretary shall proclaim such fact prior to July 20, or August 20, as the case may be, if farm marketing quotas have been announced with respect to the crop grown in such calendar year. Thereupon such quotas shall become ineffective.

TRANSFER OF QUOTAS

SEC. 338. Farm marketing quotas for wheat shall not be transferable, but, in accordance with regulations prescribed by the Secretary for such purpose, any farm marketing quota in excess of the supply of wheat for such farm for any marketing year may be allocated to other farms on which the acreage allotment has not been exceeded.

PENALTIES

SEC. 339. Any farmer who, while farm marketing quotas are in effect, markets wheat in excess of the farm marketing quota for the farm on which such wheat was produced, shall be subject to a penalty of 15 cents per bushel of the excess so marketed.

PART IV.—MARKETING QUOTAS—COTTON

LEGISLATIVE FINDINGS

SEC. 341. American cotton is a basic source of clothing and industrial products used by every person in the United States and by substantial numbers of people in foreign countries. American cotton is sold on a world-wide market and moves

from the places of production almost entirely in interstate and foreign commerce to processing establishments located throughout the world at places outside the State where the cotton is produced.

Fluctuations in supplies of cotton and the marketing of excessive supplies of cotton in interstate and foreign commerce disrupt the orderly marketing of cotton in such commerce with consequent injury to and destruction of such commerce. Excessive supplies of cotton directly and materially affect the volume of cotton moving in interstate and foreign commerce and cause disparity in prices of cotton and industrial products moving in interstate and foreign commerce with consequent diminution of the volume of such commerce in industrial products.

The conditions affecting the production and marketing of cotton are such that, without Federal assistance, farmers, individually or in cooperation, cannot effectively prevent the recurrence of excessive supplies of cotton and fluctuations in supplies, cannot prevent indiscriminate dumping of excessive supplies on the Nation-wide and foreign markets, cannot maintain normal carry-overs of cotton, and cannot provide for the orderly marketing of cotton in interstate and foreign commerce.

It is in the interest of the general welfare that interstate and foreign commerce in cotton be protected from the burdens caused by the marketing of excessive supplies of cotton in such commerce, that a supply of cotton be maintained which is adequate to meet domestic consumption and export requirements in years of drought, flood, and other adverse conditions as well as in years of plenty, and that the soil resources of the Nation be not wasted in the production of excessive supplies of cotton.

The provisions of this Part affording a cooperative plan to cotton producers are necessary and appropriate to prevent the burdens on interstate and foreign commerce caused by the marketing in such commerce of excessive supplies, and to promote, foster, and maintain an orderly flow of an adequate supply of cotton in such commerce.

FINDING AND PROCLAMATION OF SUPPLIES, AND SO FORTH

SEC. 342. Not later than November 15 of each year the Secretary shall find and proclaim (a) the total supply, the normal supply, and the carry-over of cotton as of August 1 of such year, (b) the probable domestic consumption of American cotton during the marketing year commencing August 1 of such year, (c) the probable exports of American cotton during such marketing year, and (d) the estimated carry-over of cotton as of the next succeeding August 1. For the marketing year 1937-1938 the Secretary shall make all the findings and proclamations provided for in this section not later than ten days after the date of the enactment of this Act.

AMOUNT OF NATIONAL ALLOTMENT

SEC. 343. (a) Not later than November 15 of each year the Secretary shall find and proclaim the amount of the national allotment of cotton for the succeeding calendar year in terms of standard bales of five hundred pounds gross weight. The national allotment shall be the number of bales of cotton adequate, together with the estimated carry-over as of August 1 of such succeeding calendar year, to make available a supply of cotton, for the marketing year beginning on such August 1, equal to the normal supply. The finding and proclamation of the national allotment for the calendar year 1938 shall be made not later than ten days after the date of the enactment of this Act.

(b) If the national allotment for 1938 or 1939 is determined to be less than ten million bales, the national allotment for such year shall be ten million bales for such year, as the case may be. If the national allotment for 1938 or 1939 is determined to be more than eleven million five hundred thousand bales, it shall be eleven million five hundred thousand bales for such year, as the case may be.

(c) Notwithstanding the foregoing provisions of this section, the national allotment *for any year*²³ shall be increased by a number of bales equal to the production of the acres allotted under section 344 (e) for such year.

²³ The italicized words were substituted, by sec. 8 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes" Public No. 470, 75th Cong., approved April 7, 1938, in lieu of the expression "for 1938 and 1939."

APPORTIONMENT OF NATIONAL ALLOTMENT

SEC. 344. (a) The national allotment for cotton for each year (excluding that portion of the national allotment provided for in section 343 (c)) shall be apportioned by the Secretary among the several States on the basis of the average, for the five years preceding the year in which the national allotment is determined, of the normal production of cotton in each State. The normal production of a State for a year shall be (1) the quantity produced therein plus (2) the normal yield of the acres diverted in each county in the State under the previous agricultural adjustment or conservation programs. The normal yield of the acres diverted in any county in any year shall be the average yield per acre of the planted acres in such county in such year times the number of acres diverted in such county in such year.

(b) The Secretary shall ascertain, on the basis of the average yield per acre in each State, a number of acres in such State which will produce a number of bales equal to the allotment made to the State under subsection (a). *Such number of acres plus the number of acres allotted to the State pursuant to subsection (e) (2) is referred to as the "State acreage allotment".*²⁴ The average yield per acre for any State shall be determined on the basis of the average of the normal production for the State for the years used in computing the allotment to the State, and the average, for the same period, of the acres planted and the acres diverted in the State.

(c) (1) The State acreage allotment (less the amount required for apportionment under paragraph (2)) shall be apportioned annually by the Secretary to the counties in the State. The apportionment to the counties shall be made on the basis of the acreage planted to cotton during the five calendar years immediately preceding the calendar year in which the State allotment is apportioned (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and trends in acreage during such five-year period.

(2) Not more than 2 per centum of the State acreage allotment shall be apportioned to farms in such State which were not used for cotton production during any of the three calendar years immediately preceding the year for which the allotment is made, on the basis of land, labor, and equipment available for the production of cotton; crop rotation practices; and the soil and other physical facilities affecting the production of cotton.

(d) The allotment apportioned to the county under subsection (c) (1), plus any amount allotted to the county under subsection (e), shall be apportioned by the Secretary, through the local committees, among the farms within the county on the following basis:

(1) To each farm on which cotton has been planted during any of the previous three years there shall be allotted the smaller of the following—

(A) Five acres; or

(B) The highest number of acres planted to cotton (plus the acres diverted from the production of cotton under the agricultural adjustment or conservation programs) in any year of such three-year period;

(2) Not more than 3 per centum of the amount remaining, after making the allotments provided for under paragraph (1), shall be allotted, upon such basis as the Secretary deems fair and equitable, to farms (other than farms to which an allotment has been made under paragraph (1) (B)) to which an allotment of not exceeding fifteen acres may be made under other provisions of this subsection; and

(3) The remainder of the total amount available to the county shall be allotted to farms on which cotton has been planted during any of the previous three years (except farms to which an allotment has been made under paragraph (1) (B)). The allotment to each farm under this paragraph, together with the amount of the allotment to such farm under paragraph (1) (A), shall be a prescribed percentage (which percentage shall be the same for all such farms in the county or administrative area) of the acreage, during the preceding year, on the farm which is tilled annually or in regular rotation, excluding from such acreage the acres devoted to the

²⁴ The italicized words were substituted by sec. 9 (a) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of the following: "Such number of acres is referred to as the 'State acreage allotment.'"

production of *sugarcane for sugar*,²⁵ wheat, tobacco, or rice for market or *wheat or rice*²⁶ for feeding to livestock for market: *Provided, however*, That if a farm would be allotted under this paragraph an acreage, together with the amount of the allotment to such farm under paragraph (1) (A), in excess of the largest acreage planted to cotton plus the acreage diverted from the production of cotton under the agricultural adjustment or conservation program during any of the preceding three years, the acreage allotment for such farm shall not exceed such largest acreage so planted and diverted in any such year.

(e) (1)²⁶ For 1938 and 1939, the Secretary shall allot to the several counties, to which an apportionment is made under subsection (c), a number of acres required to provide a total acreage for allotment under this section to such counties of not less than 60 per centum of the sum of (1) the acreage planted to cotton in such counties in 1937, plus (2) the acreage therein diverted from cotton production in 1937 under the agricultural adjustment and conservation program. The acreage so diverted shall be estimated in case data are not available at the time of making such allotment.

(2) *The Secretary shall allot to each State to which an allotment is made under subsection (b), and in which at least three thousand five hundred bales were produced in any of the five years immediately preceding the year for which the allotment is made, a number of acres sufficient to provide a total State acreage allotment for such State of not less than five thousand acres.*²⁷

(f) In apportioning the county allotment among the farms within the county, the Secretary, through the local committees, shall take into consideration different conditions within separate administrative areas within a county if any exist, including types, kinds, and productivity of the soil so as to prevent discrimination among the administrative acres of the county.

(g) *For each of the years 1938 and 1939 an acreage equal to 4 per centum of the State acreage allotment shall be apportioned by the Secretary, to counties and farms in the State receiving allotments under this Part, in the following manner:*

(1) *An amount of the additional allotment provided for in this subsection sufficient to allot to each farm the acreage allotments provided for in subparagraphs (A) (B) of paragraph (1) of subsection (d) of this section shall be used for making such acreage allotments as therein provided.*

(2) *In counties in which the allotment is not sufficient to provide adequate and representative allotments to other farms in the county as a result of the allotments required by section 344 (d) (1) (A) and (B), an additional acreage shall be allotted to such farms to make the allotment to each of such farms as nearly equal to the allotment which would have been made to such farms in the absence of the provisions of (A) and (B) of subsection 344 (d) (1) as the remainder of the 4 per centum will permit.*

(3) *After making the allotments provided for in paragraphs (1) and (2) of this subsection the remainder of the 4 per centum may be apportioned in amounts determined by the Secretary to be fair and reasonable to farms or counties receiving allotments which the Secretary determines are inadequate and not representative in view of past production of cotton on the farm or in the county.*²⁷

(h) *Notwithstanding any other provisions of this section, the cotton acreage allotment for any farm for each of the years 1938 and 1939, after making the allotments provided in subsection (g), shall be increased in such amount as may be necessary to provide an allotment of not less than 50 per centum of the sum of the acreage planted in cotton in 1937 and the acreage diverted from cotton production in 1937 under the agricultural conservation program, as determined for each farm in accordance with regulations prescribed by the Secre-*

²⁵ The italicized words were added by sec. 9 (b) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

²⁶ The italicized parts of subsection (e) were added by sec. 9 (c) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

²⁷ This subsection (g) was added by sec. 9 (d) of the act entitled "An Act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

tary, and for the crop year 1938 any part of the acreage allotted to individual farms in the State which it is determined, in accordance with regulations prescribed by the Secretary, will not be planted to cotton in the year for which the allotment is made, shall be deducted from the allotments to such farms and may be apportioned, in amounts determined by the Secretary to be fair and reasonable, preference being given to farms in the same county receiving allotments which the Secretary determines are inadequate and not representative in view of the past production of cotton and the acreage diverted from the production of cotton on such farms under the agricultural conservation program in the immediately preceding year: *Provided*, That any such transfer of allotment for 1938 shall not affect apportionment for any subsequent years: ²⁸ *Provided*, That this subsection shall not operate to raise the cotton acreage of any farm above 40 per centum of the acreage on such farm which is tilled annually or in regular rotation, as determined under regulations prescribed by the Secretary.²⁹

(i) The acreage required for apportionment under subsections (g) and (h) shall be in addition to the State acreage allotment, and the production of such acreage shall be in addition to the national allotment.³⁰

MARKETING QUOTAS

SEC. 345. Whenever the Secretary determines that the total supply of cotton for any marketing year exceeds by more than 7 per centum the normal supply thereof for such marketing year, the Secretary shall proclaim such fact not later than November 15 of such marketing year (or, in case of the marketing year 1937-1938, within ten days after the date of enactment of this Act), and marketing quotas shall be in effect during the next succeeding marketing year with respect to the marketing of cotton. Cotton produced in the calendar year in which such marketing year begins shall be subject to the quotas in effect for such marketing year notwithstanding that it may be marketed prior to August 1.³⁰

AMOUNT OF FARM MARKETING QUOTAS

SEC. 346. (a) The farm marketing quota for cotton for any farm for any marketing year shall be a number of bales of cotton equal to the sum of—

(1) A number of bales equal to the normal production or the actual production, whichever is the greater, of the farm acreage allotment, and

(2) A number of bales equal to the amount, or part thereof, of cotton from any previous crop which the farmer has on hand, which, had such amount, or part thereof, been marketed during the preceding marketing year in addition to the cotton actually marketed during such preceding marketing year, could have been marketed without penalty.

(b) The penalties provided for in section 348 shall not apply to the marketing of cotton produced on any farm for which a farm acreage allotment has been made for the current crop if the production of the current crop does not exceed one thousand pounds of lint cotton.

REFERENDUM

SEC. 347. Not later than December 15 of any calendar year in which a proclamation of farm marketing quotas pursuant to the provisions of this Part has been made, the Secretary shall conduct a referendum, by secret ballot, of farmers who were engaged in production of the crop harvested prior to the holding of the referendum to determine whether they favor or oppose such quotas. If more

²⁸ The bold-face words were added by sec. 1 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938," Public, No. 557, 75th Cong., approved May 31, 1938.

²⁹ The matter italicized in this subsection (h) and the whole of subsection (i) were added by sec. 9 (d) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

³⁰ Sec. 19 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, provides as follows:

"The proclamations heretofore issued by the Secretary of Agriculture under sections 312 (a), 327, 328, and 345 of the Agricultural Adjustment Act of 1938 shall be effective as provided in said sections, and no provision of any amendment made by this Act shall be construed as requiring any further action under section 312 (c) or 347 of the Agricultural Adjustment Act of 1938 with respect to marketing years beginning in 1938."

than one-third of the farmers voting in the referendum oppose such quotas, the Secretary shall, prior to the end of such calendar year, proclaim the result of the referendum, and upon such proclamation the quotas shall become ineffective. If a proclamation under section 345 is made with respect to the 1938 crop, the referendum with respect to such crop shall be held not later than thirty days after the date of the enactment of this Act and the result thereof shall be proclaimed not later than forty-five days after such date.³⁰

PENALTIES

SEC. 348. Any farmer who, while farm marketing quotas are in effect, markets cotton in excess of the farm marketing quota for the marketing year for the farm on which such cotton was produced, shall be subject to the following penalties with respect to the excess so marketed: 2 cents per pound if marketed during the first marketing year when farm marketing quotas are in effect; and 3 cents per pound if marketed during any subsequent year, except that the penalty shall be 2 cents per pound if cotton of the crop subject to penalty in the first year is marketed subject to penalty in any subsequent year.

INELIGIBILITY FOR PAYMENTS

SEC. 349. (a) Any person who knowingly plants cotton on his farm in any year on acreage in excess of the farm acreage allotment for cotton for the farm for such year under section 344 shall not be eligible for any payment for such year under the Soil Conservation and Domestic Allotment Act, as amended.

(b) *All persons applying for any payment of money under the Soil Conservation and Domestic Allotment Act, as amended, with respect to any farm located in a county in which cotton has been planted during the year for which such payment is offered, shall file with the application a statement that the applicant has not knowingly planted, during the current year, cotton on land on his farm in excess of the acreage allotted to the farm under section 344 for such year.*³¹

LONG STAPLE COTTON

SEC. 350. The provisions of this Part shall not apply to cotton the staple of which is $1\frac{1}{2}$ inches or more in length.

PART V.—MARKETING QUOTAS—RICE

LEGISLATIVE FINDING

SEC. 351. (a) The marketing of rice constitutes one of the great basic industries of the United States, with ramifying activities which directly affect interstate and foreign commerce at every point, and stable conditions therein are necessary to the general welfare. Rice produced for market is sold on a Nation-wide market, and, with its products, moves almost wholly in interstate and foreign commerce from the producer to the ultimate consumer. The farmers producing such commodity are subject in their operations to uncontrollable natural causes; in many cases such farmers carry on their farming operations on borrowed money or leased lands and are not so situated as to be able to organize effectively, as can labor and industry, through unions and corporations enjoying Government sanction and protection for joint economic action. For these reasons, among others, the farmers are unable without Federal assistance to control effectively the orderly marketing of such commodity, with the result that abnormally excessive supplies thereof are produced and dumped indiscriminately on the Nation-wide market.

(b) The disorderly marketing of such abnormally excessive supplies affects, burdens, and obstructs interstate and foreign commerce by (1) materially affect-

³⁰ See footnote on preceding page.

³¹ This subsection (b) was substituted by sec. 10 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of the following subsection:

"(b) All persons applying for any payment of money under the Soil Conservation and Domestic Allotment Act, as amended, shall file with the application a statement verified by affidavit that the applicant has not knowingly planted, during the current year, cotton on land on his farm in excess of the acreage allotted to the farm under section 344 for such year. Any person who knowingly swears falsely in any statement required under this subsection shall be guilty of perjury."

ing the volume of such commodity marketed therein, (2) disrupting the orderly marketing of such commodity therein, (3) reducing the prices for such commodity, with consequent injury and destruction of such commerce in such commodity, and (4) causing a disparity between the prices for such commodity in interstate and foreign commerce and industrial products therein, with a consequent diminution of the volume of interstate and foreign commerce in industrial products.

(c) Whenever an abnormally excessive supply of rice exists, the marketing of such commodity by the producers thereof directly and substantially affects interstate and foreign commerce in such commodity and its products, and the operation of the provisions of this Part becomes necessary and appropriate in order to promote, foster, and maintain an orderly flow of such supply in interstate and foreign commerce.

NATIONAL ACREAGE ALLOTMENT

SEC. 352. The national acreage allotment of rice for any calendar year shall be that acreage which the Secretary determines will, on the basis of the national average yield of rice for the five calendar years immediately preceding the calendar year for which such national average yield is determined, produce an amount of rice adequate, together with the estimated carry-over from the marketing year ending in such calendar year, to make available a supply for the marketing year commencing in such calendar year not less than the normal supply. Such national acreage allotment shall be proclaimed not later than December 31 of each year.

APPORTIONMENT OF NATIONAL ACREAGE ALLOTMENT

SEC. 353. (a) The national acreage allotment of rice for each calendar year shall be apportioned by the Secretary among the several States in which rice is produced in proportion to the average number of acres of rice in each State during the five-year period immediately preceding the calendar year for which such national acreage allotment of rice is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs) with adjustments for trends in acreage during the applicable period.

(b) Not less than 97 per centum of the acreage allotted to any State shall be apportioned annually by the Secretary through local and State committees of farmers among the persons producing rice within such State on the basis of past production of rice; land, labor, and available equipment for the production of rice; crop-rotation practices, soil fertility, and other physical factors affecting the production of rice: *Provided*, That not exceeding 3 per centum of the acreage allotted to each State shall be apportioned annually by the Secretary through local and State committees of farmers among persons who for the first time in the past five years are producing rice on the basis of the applicable standards of apportionment set forth in this subsection: *Provided further*, That a person producing rice for the first time in five years shall not be allotted an acreage in excess of 75 per centum of the allotment that would be made to him if he were not producing rice for the first time in such five years.

DOMESTIC ALLOTMENT OF RICE

SEC. 354. (a) Not later than December 31 of each year the Secretary shall ascertain from the latest available statistics of the Department and shall proclaim the total amount of rice which will be needed during the next succeeding marketing year to meet the requirements of consumers in the United States. Such amount is hereinafter referred to as the "domestic allotment of rice."

(b) The domestic allotment of rice for each marketing year shall be apportioned by the Secretary among the several States in which rice is produced in proportion to the average amount of rice produced in each State during the five-year period including the calendar year in which such domestic allotment is announced (plus, in applicable years, the normal production of any acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and trends in acreage during the applicable period.

(c) The Secretary shall provide, through local and State committees of farmers, for the allotment of each State apportionment among persons producing rice in such State. The apportionment of the domestic allotment of rice among persons producing rice in each State shall be on the basis of the aggregate normal yields of the acreage allotments established with respect to such persons.

MARKETING QUOTAS

SEC. 355. (a) If at the time of any proclamation made under the provisions of section 354 (a) it shall appear from the latest available statistics of the Department that the total supply of rice exceeds the normal supply thereof for the current marketing year by more than 10 per centum of such normal supply, the Secretary shall also proclaim that, beginning on the first day of the marketing year next following and continuing throughout such year a national marketing quota shall be in effect for marketings of rice by producers: *Provided*, That no marketing quota shall be in effect for the marketing year commencing August 1, 1938. The Secretary shall also ascertain and specify in such proclamation the amount of the national marketing quota in terms of the total quantity thereof which may be marketed by producers which shall be that amount of rice which the Secretary determines will make available during such marketing year a normal supply.

(b) Within thirty days after the date of the issuance of the proclamation specified in subsection (a) of this section, the Secretary shall conduct a referendum, by secret ballot, of producers who would be subject to the national marketing quota for rice to determine whether such producers are in favor of or opposed to such quota. If more than one-third of the producers voting in the referendum oppose such quota, the Secretary shall, prior to the 15th day of February, proclaim the result of the referendum, and such quota shall not become effective.

(c) The national marketing quota shall be apportioned among States and persons producing rice in each State, including new producers, in the manner and upon the basis set forth in section 354 for the apportionment of the domestic allotment of rice.

(d) Marketing quotas may be transferred only in such manner and subject to such conditions as the Secretary may prescribe by regulations.

PENALTIES

SEC. 356. Any producer who markets rice in excess of his marketing quota shall be subject to a penalty of one-quarter of 1 cent per pound of the excess so marketed.

SUBTITLE C—ADMINISTRATIVE PROVISIONS

PART I.—PUBLICATION AND REVIEW OF QUOTAS

APPLICATION OF PART

SEC. 361. This Part shall apply to the publication and review of farm marketing quotas established for tobacco, corn, wheat, cotton, and rice, established under subtitle B.

PUBLICATION AND NOTICE OF QUOTA

SEC. 362. All acreage allotments, and the farm marketing quotas established for farms in a county or other local administrative area shall, in accordance with regulations of the Secretary, be made and kept freely available for public inspection in such county or other local administrative area. An additional copy of this information shall be kept available in the office of the county agricultural extension agent or with the chairman of the local committee. Notice of the farm marketing quota of his farm shall be mailed to the farmer.

REVIEW BY REVIEW COMMITTEE

SEC. 363. Any farmer who is dissatisfied with his farm marketing quota may, within fifteen days after mailing to him of notice as provided in section 362, have such quota reviewed by a local review committee composed of three farmers appointed by the Secretary. Such committee shall not include any member of the local committee which determined the farm acreage allotment, the normal yield, or the farm marketing quota for such farm. Unless application for review is made within such period, the original determination of the farm marketing quota shall be final.

REVIEW COMMITTEE

SEC. 364. The members of the review committee shall receive as compensation for their services the same per diem as that received by the members of

the committee utilized for the purposes of the Soil Conservation and Domestic Allotment Act, as amended. The members of the review committee shall not be entitled to receive compensation for more than thirty days in any one year.

INSTITUTION OF PROCEEDINGS

SEC. 365. If the farmer is dissatisfied with the determination of the review committee, he may, within fifteen days after a notice of such determination is mailed to him by registered mail, file a bill in equity against the review committee as defendant in the United States district court, or institute proceedings for review in any court of record of the State having general jurisdiction, sitting in the county or the district in which his farm is located, for the purpose of obtaining a review of such determination. Bond shall be given in an amount and with surety satisfactory to the court to secure the United States for the costs of the proceeding. The bill of complaint in such proceeding may be served by delivering a copy thereof to any one of the members of the review committee. Thereupon the review committee shall certify and file in the court a transcript of the record upon which the determination complained of was made, together with its findings of fact.

COURT REVIEW

SEC. 366. The review by the court shall be limited to questions of law, and the findings of fact by the review committee, if supported by evidence, shall be conclusive. If application is made to the court for leave to adduce additional evidence, and it is shown to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the review committee, the court may direct such additional evidence to be taken before the review committee in such manner and upon such terms and conditions as to the court may seem proper. The review committee may modify its findings of fact or its determination by reason of the additional evidence so taken, and it shall file with the court such modified findings or determination, which findings of fact shall be conclusive. At the earliest convenient time, the court, in term time or vacation, shall hear and determine the case upon the original record of the hearing before the review committee, and upon such record as supplemented, if supplemented, by further hearing before the review committee pursuant to direction of the court. The court shall affirm the review committee's determination, or modified determination, if the court determines that the same is in accordance with law. If the court determines that such determination or modified determination is not in accordance with law, the court shall remand the proceeding to the review committee with direction either to make such determination as the court shall determine to be in accordance with law or to take such further proceedings as, in the court's opinion, the law requires.

STAY OF PROCEEDINGS AND EXCLUSIVE JURISDICTION

SEC. 367. The commencement of judicial proceedings under this Part shall not, unless specifically ordered by the court, operate as a stay of the review committee's determination. Notwithstanding any other provision of law, the jurisdiction conferred by this Part to review the legal validity of a determination made by a review committee pursuant to this Part shall be exclusive. No court of the United States or of any State shall have jurisdiction to pass upon the legal validity of any such determination except in a proceeding under this Part.

NO EFFECT ON OTHER QUOTAS

SEC. 368. Notwithstanding any increase of any farm marketing quota for any farm as a result of review of the determination thereof under this Part, the marketing quotas for other farms shall not be affected.

PART II.—ADJUSTMENT OF QUOTAS AND ENFORCEMENT

GENERAL ADJUSTMENTS OF QUOTAS

SEC. 371. (a) If at any time the Secretary has reason to believe that in the case of corn, wheat, cotton, rice, or tobacco the operation of farm marketing

quotas in effect will cause the amount of such commodity which is free of marketing restrictions to be less than the normal supply for the marketing year for the commodity then current, he shall cause an immediate investigation to be made with respect thereto. In the course of such investigation due notice and opportunity for hearing shall be given to interested persons. If upon the basis of such investigation the Secretary finds the existence of such fact, he shall proclaim the same forthwith. He shall also in such proclamation specify such increase in, or termination of, existing quotas as he finds, on the basis of such investigation, is necessary to make the amount of such commodity which is free of marketing restrictions equal the normal supply.

(b) If the Secretary has reason to believe that, because of a national emergency or because of a material increase in export demand, any national marketing quota for corn, wheat, cotton, rice, or tobacco should be increased or terminated, he shall cause an immediate investigation to be made to determine whether the increase or termination is necessary in order to effectuate the declared policy of this Act or to meet such emergency or increase in export demand. If, on the basis of such investigation, the Secretary finds that such increase or termination is necessary, he shall immediately proclaim such finding (and if he finds an increase is necessary, the amount of the increase found by him to be necessary) and thereupon such quota shall be increased, or shall terminate, as the case may be.

(c) In case any national marketing quota for any commodity is increased under this section, each farm marketing quota for the commodity shall be increased in the same ratio.

(d) In the case of corn, whenever such proclamation specifies an increase in marketing quotas, the storage amounts applicable to corn shall be adjusted downward to the amount which would have been required to be stored if such increased marketing quotas had been in effect. Whenever in the case of corn, such proclamation provides for termination of marketing quotas, storage under seal shall no longer be required.

PAYMENT AND COLLECTION OF PENALTIES

SEC. 372. (a) The penalty with respect to the marketing, by sale, of wheat, cotton, or rice, if the sale is to any person within the United States, shall be collected by the buyer.

(b) All penalties provided for in Subtitle B shall be collected and paid in such manner, at such times, and under such conditions as the Secretary may by regulations prescribe. Such penalties shall be remitted to the Secretary by the person liable for the penalty, except that if any other person is liable for the collection of the penalty, such other person shall remit the penalty. The amount of such penalties shall be covered into the general fund of the Treasury of the United States.

(c) *Whenever, pursuant to a claim filed with the Secretary within one year after payment to him of any penalty collected from any person pursuant to this Act, the Secretary finds that such penalty was erroneously, illegally, or wrongfully collected, the Secretary shall certify to the Secretary of the Treasury for payment to the claimant, in accordance with regulations prescribed by the Secretary of the Treasury, such amount as the Secretary finds the claimant is entitled to receive as a refund of such penalty.*³²

The Secretary is authorized to prescribe regulations governing the filing of such claims and the determination of such refunds.

(d) *No penalty shall be collected under this Act with respect to the marketing of any agricultural commodity grown for experimental purposes only by any publicly owned agricultural experiment station.*³²

REPORTS AND RECORDS

SEC. 373. (a) This subsection shall apply to warehousemen, processors, and common carriers of corn, wheat, cotton, rice, or tobacco, and all ginnerers of cotton, all persons engaged in the business of purchasing corn, wheat, cotton, rice, or tobacco from producers, and all persons engaged in the business of redrying, prizing, or stemming tobacco for producers. Any such person shall, from time

³² The italicized subsection was added by sec. 11 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this title. Such information shall be reported and such records shall be kept in accordance with forms which the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memoranda as he has reason to believe are relevant and are within the control of such person. Any such person failing to make any report or keep any record as required by this subsection or making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than \$500.

(b) Farmers engaged in the production of corn, wheat, cotton, rice, or tobacco for market shall furnish such proof of their acreage, yield, storage, and marketing of the commodity in the form of records, marketing cars, reports, storage under seal, or otherwise as the Secretary may prescribe as necessary for the administration of this title.

(c) All data reported to or acquired by the Secretary pursuant to this section shall be kept confidential by all officers and employees of the Department, and only such data so reported or acquired as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing under this title.

MEASUREMENT OF FARMS AND REPORT OF PLANTINGS

SEC. 374. The Secretary shall provide, through the county and local committees, for measuring farms on which corn, wheat, cotton, or rice is produced, and for ascertaining whether the acreage planted for any year to any such commodity is in excess of the farm acreage allotment for such commodity for the farm under this title. If in the case of any farm the acreage planted to any such commodity on the farm is in excess of the farm acreage allotment for such commodity for the farm, the committee shall file with the State committee a written report stating the total acreage on the farm in cultivation and the acreage planted to such commodity.

REGULATION

SEC. 375. (a) The Secretary shall provide by regulations for the identification, wherever necessary, of corn, wheat, cotton, rice, or tobacco so as to afford aid in discovering and identifying such amounts of the commodities as are subject to and such amounts thereof as are not subject to marketing restrictions in effect under this title.

(b) The Secretary shall prescribe such regulations as are necessary for the enforcement of this title.

COURT JURISDICTION

SEC. 376. The several district courts of the United States are hereby vested with jurisdiction specifically to enforce the provisions of this title. If and when the Secretary shall so request, it shall be the duty of the several district attorneys in their respective districts, under the direction of the Attorney General, to institute proceedings to collect the penalties provided in this title. The remedies and penalties provided for herein shall be in addition to, and not exclusive of, any of the remedies or penalties under existing law.

SUBTITLE D—MISCELLANEOUS PROVISIONS AND APPROPRIATIONS

PART I—MISCELLANEOUS

COTTON PRICE ADJUSTMENT PAYMENTS

SEC. 381. (a) For the purposes of the provisions (relating to cotton price adjustment payments with respect to the 1937 cotton crop) of the Third Deficiency Appropriation Act, fiscal year 1937, a producer shall be deemed to have complied with the provisions of the 1938 agricultural adjustment program formulated under the legislation contemplated by Senate Joint Resolution Numbered 207, Seventy-fifth Congress, if his acreage planted to cotton in 1938 does not exceed his farm acreage allotment for 1938 under the Soil Conservation and Domestic

Allotment Act, as amended (including the amendments made by this Act), or under section 344 of this Act, whichever is the lesser. For the purposes of this subsection a producer shall not be deemed to have exceeded his farm acreage allotment unless such producer knowingly exceeded his farm acreage allotment. Such compliance shall not be required in any case where the producer is not engaged in cotton production in 1938. *In cases where in 1937 a total or partial crop failure resulted from hail, drought, flood, or boll-weevil infestation, or where any part of a producer's 1937 cotton crop was destroyed after the harvesting thereof by fire or other unavoidable natural cause, if the producer is otherwise eligible for payment, payment shall be made at the same rate per pound on the same percentage of the producer's normal base production established by the Secretary as in the case of other producers.*³³ For the purpose of such provisions of the Third Deficiency Appropriation Act, fiscal year 1937, cotton not sold prior to July 1, 1938, shall be held and considered to have been sold on June 30, 1938, and all applications for price adjustment payments shall be filed with the Secretary not later than July 15, 1938. Such payments shall be made at the earliest practicable time. Application for payment may be made by the 1937 operator of a farm on behalf of all persons engaged in cotton production on the farm in 1937 and need be signed only by such operator, but payment shall be made directly to each of the persons entitled thereto. In case any person who is entitled to payment hereunder dies, becomes incompetent, or disappears before receiving such payment or is succeeded by another who renders or completes the required performance, payment shall, without regard to any other provisions of law, be made as the Secretary may determine to be fair and reasonable in all the circumstances and provide by regulations.

(b) Any producer for whom a loan has been made or arranged for by the Commodity Credit Corporation on cotton of his 1937 crop and who has complied with all the provisions of the loan agreement except section 8 thereof, may, at any time before July 1, 1938, transfer his right, title, and interest in and to such cotton to the Corporation; and the Corporation is authorized and directed to accept such right, title, and interest in and to such cotton and to assume all obligations of the producer with respect to the loan on such cotton, including accrued interest and accrued carrying charges to the date of such transfer. The Corporation shall notify the Secretary of Agriculture of each such transfer, and upon receipt of such notice, the Secretary shall as soon as compliance is shown, or a national marketing quota for cotton is put into effect, forthwith pay to such producer a sum equal to 2 cents per pound of such cotton, and the amount so paid shall be deducted from any price adjustment payment to which such producer is entitled.

(c) The Commodity Credit Corporation is authorized on behalf of the United States to sell any cotton of the 1937 crop so acquired by it, but no such cotton or any other cotton held on behalf of the United States shall be sold unless the proceeds of such sale are at least sufficient to reimburse the United States for all amounts (including any price-adjustment payment) paid out by any of its agencies with respect to the cotton so sold. After July 31, 1939, the Commodity Credit Corporation shall not sell more than three hundred thousand bales of cotton in any calendar month, or more than one million five hundred thousand bales in any calendar year. The proceeds derived from the sale of any such cotton shall be used for the purpose of discharging the obligations assumed by the Commodity Credit Corporation with respect to such cotton, and any amounts not expended for such purpose shall be covered into the Treasury as miscellaneous receipts.

EXTENSION OF 1937 COTTON LOAN

SEC. 382. The Commodity Credit Corporation is hereby authorized and directed to provide for the extension, from July 31, 1938, to July 31, 1939, of the maturity date of all notes evidencing a loan made or arranged for by the Corporation on cotton produced during the crop year 1937-1938. This section shall not be construed to prevent the sale of any such cotton on request of the person liable on the note.

³³ The italicized words were substituted by sec. 12 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of the following: "In cases where in 1937 a total or partial crop failure resulted from hail, drought, flood, or boll-weevil infestation, if the producer is otherwise eligible for payment, payment shall be made at the rate of 3 cents per pound on the same percentage of the producer's normal base production established by the Secretary as in the case of other producers."

For supplemental legislation see next to last proviso to the item entitled "Conservation and Use of Agricultural Land Resources, Department of Agriculture," Department of Agriculture Appropriation Act, 1939, *infra*, page 68.

INSURANCE OF COTTON AND RECONCENTRATION OF COTTON

SEC. 383. (a) The Commodity Credit Corporation shall place all insurance of every nature taken out by it on cotton, and all renewals, extensions, or continuations of existing insurance, with insurance agents who are bona fide residents of and doing business in the State where the cotton is warehoused: *Provided*, That such insurance may be secured at a cost not greater than similar insurance offered on said cotton elsewhere.

(b) Cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not hereafter be reconcentrated without the written consent of the producer or borrower.³⁴

REPORT OF BENEFITS

SEC. 384. The Secretary shall submit to Congress an annual report of the names of persons to whom, during the preceding years, payments were made under the Soil Conservation and Domestic Allotment Act, as amended, together with payments under section 303 of this Act, if any, if the total amount paid to such person exceeded \$1,000.

FINALITY OF FARMERS' PAYMENTS AND LOANS

SEC. 385. The facts constituting the basis for any Soil Conservation Act payment, parity payment, or loan, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary or by the Commodity Credit Corporation, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government.

SEC. 386. The provisions of section 3741 of the Revised Statutes (U. S. C., 1934 edition, title 41, sec. 22) and sections 114 and 115 of the Criminal Code of the United States (U. S. C., 1934 edition, title 18, secs. 204 and 205) shall not be applicable to loans or payments made under this Act (except under section 383 (a)).

PHOTOGRAPHIC REPRODUCTIONS AND MAPS

SEC. 387. The Secretary may furnish reproductions of such aerial or other photographs, mosaics, and maps as have been obtained in connection with the authorized work of the Department to farmers and governmental agencies at the estimated cost of furnishing such reproductions, and to persons other than farmers at such prices (not less than estimated cost of furnishing such reproductions) as the Secretary may determine, the money received from such sales to be deposited in the Treasury to the credit of the appropriation charged with the cost of making such reproductions. This section shall not affect the power of the Secretary to make other disposition of such or similar materials under any other provisions of existing law.

UTILIZATION OF LOCAL AGENCIES

SEC. 388. (a) The provisions of section 8 (b) and section 11 of the Soil Conservation and Domestic Allotment Act, as amended, relating to the utilization of State, county, local committees, the extension service, and other approved agencies, and to recognition and encouragement of cooperative associations, shall apply in the administration of this Act; and the Secretary shall, for such purposes, utilize the same local, county, and State committees as are utilized under sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended. The local administrative areas designated under section 8 (b) of the Soil Conservation and Domestic Allotment Act, as amended, for the administration of programs under that Act, and the local administrative areas designated for the administration of this Act shall be the same.

(b) The Secretary is authorized and directed, from any funds made available for the purposes of the Acts in connection with which county committees are utilized, to make payments to county committees of farmers to cover the estimated administrative expenses incurred or to be incurred by them in cooperating in carrying out the provisions of such Acts. All or part of such estimated administrative expenses of any such committee may be deducted pro rata from

³⁴ For supplemental legislation, see *infra*, page 353.

the Soil Conservation Act payments, parity payments, or loans, or other payments under such Acts, made unless payment of such expenses is otherwise provided by law. The Secretary may make such payments to such committees in advance of determination of performance by farmers.

PERSONNEL

SEC. 389. The Secretary is authorized and directed to provide for the execution by the Agricultural Adjustment Administration of such of the powers conferred upon him by this Act as he deems may be appropriately exercised by such Administration; and for such purposes the provisions of law applicable to appointment and compensation of persons employed by the Agricultural Adjustment Administration shall apply.

SEPARABILITY

SEC. 390. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the validity of the remainder of the Act and the application of such provision to other persons or circumstances, and the provisions of the Soil Conservation and Domestic Allotment Act, as amended, shall not be affected thereby. Without limiting the generality of the foregoing, if any provision of this Act should be held not to be within the power of the Congress to regulate interstate and foreign commerce, such provision shall not be held invalid if it is within the power of the Congress to provide for the general welfare or any other power of the Congress. If any provision of this Act for marketing quotas with respect to any commodity should be held invalid, no provision of this Act for marketing quotas with respect to any other commodity shall be affected thereby. If the application of any provision for a referendum should be held invalid, the application of other provisions shall not be affected thereby. If by reason of any provision for a referendum the application of any such other provision to any person or circumstance is held invalid, the application of such other provision to other persons or circumstances shall not be affected thereby.

PART II.—APPROPRIATIONS AND ADMINISTRATIVE EXPENSES

APPROPRIATIONS

SEC. 391. (a) Beginning with the fiscal year ending June 30, 1938, there is hereby authorized to be appropriated, for each fiscal year for the administration of this Act and for the making of soil conservation and other payments such sums as Congress may determine, in addition to any amount made available pursuant to section 15 of the Soil Conservation and Domestic Allotment Act, as amended.

(b) For the administration of this Act (including the provisions of title V) during the fiscal year ending June 30, 1938, there is hereby authorized to be made available from the funds appropriated for such fiscal year for carrying out the purposes of sections 7 to 17 of the Soil Conservation and Domestic Allotment Act, as amended, a sum not to exceed \$5,000,000.

ADMINISTRATIVE EXPENSES

SEC. 392. (a) The Secretary is authorized and directed to make such expenditures as he deems necessary to carry out the provisions of this Act, including personal services and rents in the District of Columbia and elsewhere, traveling expenses (including the purchase, maintenance, and repair of passenger-carrying vehicles), supplies and equipment, law books, books of reference, directories, periodicals, and newspapers.

(b) In the administration of this title, sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended, and section 32, as amended, of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes," approved August 24, 1935, the aggregate amount expended in any fiscal year, beginning with the fiscal year ending June 30, 1939, for administrative expenses in the District of Columbia, including regional offices, shall not exceed 1 per centum of the total amount available for such fiscal year for carrying out such Acts, and the aggregate amount expended in any fiscal year for administrative expenses in the several States (not including

the expenses of county and local committees) shall not exceed 2 per centum of the total amount available for such fiscal year for carrying out such Acts. In the event any administrative expenses of any county or local committee are deducted in any fiscal year, beginning with the fiscal year ending June 30, 1939, from Soil Conservation Act payments, parity payments, or loans, each farmer receiving benefits under such provisions shall be apprised, in the form of a statement to accompany the check evidencing such benefit payment or loan, of the amount or percentage deducted from such benefit payment or loan on account of such administrative expenses. The names and addresses of the members and employees of any county or local committee, and the amount of such compensation received by each of them, shall be posted annually in a conspicuous place in the area within which they are employed.

ALLOTMENT OF APPROPRIATIONS

SEC. 393. All funds for carrying out the provisions of this Act shall be available for allotment to bureaus and offices of the Department, and for transfer to such other agencies of the Federal Government, and to such State agencies, as the Secretary may request to cooperate or assist in carrying out the provisions of this Act.

TITLE IV—COTTON POOL PARTICIPATION TRUST CERTIFICATES

SEC. 401. There is hereby authorized to be appropriated, from any moneys in the Treasury of the United States not otherwise appropriated, the sum of \$1,800,000, or so much thereof as may be required by the Secretary to accomplish the purposes hereinafter declared and authorized. The Secretary of the Treasury is hereby authorized and directed to pay to, or upon the order of, the Secretary, such a part or all of the sum hereby authorized to be appropriated at the request of the Secretary.

SEC. 402. The Secretary is hereby authorized to draw from the Treasury of the United States any part or all of the sum hereby authorized to be appropriated, and to deposit same to his credit with the Treasurer of the United States, under special symbol number, to be available for disbursement for the purposes hereinafter stated.

SEC. 403. The Secretary is hereby authorized to make available, from the sum hereby authorized to be appropriated, to the manager of the cotton pool, such sum or sums as may be necessary to enable the manager to purchase, take up, and cancel, subject to the restrictions hereinafter reserved, pool participation trust certificates, form C-5-I, where such certificates shall be tendered to the manager, cotton pool, by the person or persons shown by the records of the Department to have been the lawful holder and owner thereof on or before May 1, 1938,⁶⁵ the purchase price to be paid for the certificates so purchased to be at the rate of \$1 per five-hundred-pound bale for every bale or fractional part thereof represented by the certificates C-5-I. The Secretary is further authorized to pay directly, or to advance to, the manager of the cotton pool, to enable him to pay costs and expenses incident to the purchase of certificates as aforesaid, and any balance remaining to the credit of the Secretary, or the manager, cotton pool, not required for the purchase of these certificates in accordance with provisions of this Act, shall, at the expiration of the purchase period, be covered into the Treasury of the United States as miscellaneous receipts.

SEC. 404. The authority of the manager, cotton pool, to purchase and pay for certificates hereunder shall extend to and include the 31st day of July 1938: *Provided*, That after expiration of the said limit, the purchase may be consummated of any certificates tendered to the manager, cotton pool, on or before July 31, 1938, but where for any reason the purchase price shall not have been paid by the manager, cotton pool. The Secretary is authorized to promulgate such rules, regulations, and requirements as in his discretion are proper to effectuate the general purposes of this title, which purpose is here stated to be specifically to authorize the purchase of outstanding pool participation trust certificates, form C-5-I, for a purchase price to be determined at the rate of \$1 per bale, or twenty one-hundredths cent per pound, for the cotton evidenced

⁶⁵ The italicized matter was substituted by sec. 13 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of "May 1, 1937."

by the said certificates, provided such certificates be tendered by holders thereof in accordance with regulations prescribed by the Secretary not later than the 31st day of July 1938, and provided such certificates may not be purchased from persons other than those shown by the records of the Department to have been holders thereof on or before the 1st day of *May 1938*.³⁶

SEC. 405. The Secretary is authorized to continue in existence the 1933 cotton producers pool so long as may be required to effectuate the purposes of this title. All expense incident to the accomplishment of purposes of this title may be paid from funds hereby authorized to be appropriated, for which purpose the fund hereby authorized to be appropriated shall be deemed as supplemental to such funds as are now to the credit of the Secretary, reserved for the purpose of defraying operating expenses of the pool.

SEC. 406. After expiration of the time limit herein established, the certificates then remaining outstanding and not theretofore tendered to the manager, cotton pool, for purchase, shall not be purchased and no obligation on account thereof shall exist.

SEC. 407. Nothing in this title shall be construed to authorize the manager, cotton pool, to pay the assignee or any holder of such cotton pool participation trust certificates, form C-5-1, transferred *subsequent to*³⁷ May 1, 1937, as shown by the records of the Department of Agriculture, more than the purchase price paid by the assignee or holder of such certificate or certificates with interest at the rate of 4 per centum per annum from the date of purchase, provided the amount paid such assignee shall not exceed \$1 per bale. Before making payment to any assignee, whose certificates were transferred *subsequent to*³⁸ May 1, 1937, such assignee shall file with the manager, cotton pool, an affidavit showing the amount paid by him for such certificate and the date of such payment, and the manager, cotton pool, is authorized to make payment to such assignee based upon the facts stated in said affidavit as aforesaid.

TITLE V—CROP INSURANCE

SHORT TITLE AND APPLICATION OF OTHER PROVISIONS

SEC. 501. This title may be cited as the "Federal Crop Insurance Act." Except as otherwise expressly provided the provisions in titles I to IV, inclusive, shall not apply with respect to this title, and the term "Act" wherever it appears in such titles shall not be construed to include this title.

DECLARATION OF PURPOSE

SEC. 502. It is the purpose of this title to promote the national welfare by alleviating the economic distress caused by wheat-crop failures due to drought and other causes, by maintaining the purchasing power of farmers, and by providing for stable supplies of wheat for domestic consumption and the orderly flow thereof in interstate commerce.

SEC. 503. To carry out the purposes of this title, there is hereby created as an agency of and within the Department of Agriculture a body corporate with the name "Federal Crop Insurance Corporation" (herein called the Corporation). The principal office of the Corporation shall be located in the District of Columbia, but there may be established agencies or branch offices elsewhere in the United States under rules and regulations prescribed by the Board of Directors.

CAPITAL STOCK

SEC. 504. (a) The Corporation shall have a capital stock of \$100,000,000 subscribed by the United States of America, payment for which shall, with the approval of the Secretary of Agriculture, be subject to call in whole or in part by the Board of Directors of the Corporation.

Any impairment of the capital stock described in this subsection shall be restored only out of operating profits of the Corporation.

³⁶ The italicized matter was substituted by sec. 14 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938; in lieu of "May 1937."

³⁷ The italicized matter was substituted by sec. 15 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938, in lieu of "on or before."

(b) There is hereby authorized to be appropriated not more than \$100,000,000 for the purpose of subscribing to said stock. No part of such sum shall be available prior to July 1, 1938. The appropriation for such purpose for the fiscal year ending June 30, 1939, shall not exceed \$20,000,000 and shall be made only out of the unexpended balances for the fiscal year ending June 30, 1938, of the sums appropriated pursuant to section 15 of the Soil Conservation and Domestic Allotment Act, as amended.

(c) Receipts for payments by the United States of America for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership by the United States of America.

MANAGEMENT OF CORPORATION

SEC. 505. (a) The management of the Corporation shall be vested in a Board of Directors (hereinafter called the "Board") subject to the general supervision of the Secretary of Agriculture. The Board shall consist of three persons employed in the Department of Agriculture who shall be appointed by and hold office at the pleasure of the Secretary of Agriculture.

(b) Vacancies in the Board so long as there shall be two members in office shall not impair the powers of the Board to execute the functions of the Corporation, and two of the members in office shall constitute a quorum for the transaction of the business of the Board.

(c) The Directors of the Corporation appointed as hereinbefore provided shall receive no additional compensation for their services as such directors but may be allowed actual necessary traveling and subsistence expenses when engaged in business of the Corporation outside of the District of Columbia.

(d) The Board shall select, subject to the approval of the Secretary of Agriculture, a manager, who shall be the executive officer of the Corporation with such power and authority as may be conferred upon him by the Board.

GENERAL POWERS

SEC. 506. The Corporation—

(a) shall have succession in its corporate name;

(b) may adopt, alter, and use a corporate seal, which shall be judicially noticed;

(c) may make contracts and purchase or lease and hold such real and personal property as it deems necessary or convenient in the transaction of its business, and may dispose of such property held by it upon such terms as it deems appropriate;

(d) subject to the provisions of section 508 (c), may sue and be sued in its corporate name in any court of competent jurisdiction, State or Federal: *Provided*, That no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Corporation or its property;

(e) may adopt, amend, and repeal bylaws, rules, and regulations governing the manner in which its business may be conducted and the powers granted to it by law may be exercised and enjoyed;

(f) shall be entitled to the free use of the United States mails in the same manner as the other executive agencies of the Government;

(g) with the consent of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, facilities, officials, and employees thereof in carrying out the provisions of this title;

(h) may conduct researches, surveys, and investigations relating to crop insurance for wheat and other agricultural commodities;

(i) shall determine the character and necessity for its expenditures under this title and the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other laws governing the expenditure of public funds and such determinations shall be final and conclusive upon all other officers of the Government; and

(j) shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Corporation and all such incidental powers as are customary in corporations generally.

PERSONNEL

SEC. 507. (a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation, which

appointments may be made without regard to the civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds. The appointment of officials and the selection of employees by the Secretary shall be made only on the basis of merit and efficiency.

(b) Insofar as applicable, the benefits of the Act entitled "An Act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," approved September 7, 1916, as amended, shall extend to persons given employment under the provisions of this title, including the employees of the committees and associations referred to in subsection (c) of this section and the members of such committees.

(c) The Board may establish or utilize committees or associations of producers in the administration of this title and make payments to such committees or associations to cover the estimated administrative expenses to be incurred by them in cooperating in carrying out this title and may provide that all or part of such estimated expenses may be included in the insurance premiums provided for in this title.

(d) The Secretary of Agriculture may allot to bureaus and offices of the Department of Agriculture or transfer to such other agencies of the State and Federal Governments as he may request to assist in carrying out this title any funds made available pursuant to the provisions of section 516 of this Act.

(e) In carrying out the provisions of this title the Board may, in its discretion, utilize producer-owned and producer-controlled cooperative associations: *Provided further, That the Corporation may, upon such terms and conditions as it shall determine, accept payments from producers in any year to be applied toward premiums on their insurance contracts for the current and next succeeding year.*³⁸

CROP INSURANCE

SEC. 508. To carry out the purposes of this title the Corporation is authorized and empowered—

(a) Commencing with the wheat crop planted for harvest in 1939, to insure, upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of wheat against loss in yields of wheat due to unavoidable causes, including drought, flood, hail, wind, winterkill, lightning, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board: *Provided, however, That for the first three years of operation under this title contracts of insurance shall not be made for periods longer than one year.* Such insurance shall not cover losses due to the neglect or malfeasance of the producer or to the failure of the producer to reseed in areas and under circumstances where it is customary to reseed. Such insurance shall cover not less than 50 or more than 75 per centum, to be determined by the Board, of the recorded or appraised average yield of wheat on the insured farm for a representative base period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just. The Board may condition the issuance of such insurance in any county or area upon a minimum amount of participation in a program of crop insurance formulated pursuant to this title.

(b) To fix adequate premiums for such insurance, payable either in wheat or cash equivalent as of the due date thereof, on the basis of the recorded or appraised average crop loss of wheat on the insured farm for a representative base period subject to such adjustments as the Board may prescribe to the end that the premiums fixed for farms in the same area, which are subject to the same conditions, may be fair and just. Such premiums shall be collected at such time or times, in such manner, and upon such security as the Board may determine.

³⁸ The italicized matter was added by the act entitled "An act to amend the Federal Crop Insurance Act," Public, No. 691, 75th Cong., approved June 22, 1938.

(c) To adjust and pay claims for losses either in wheat or in cash equivalent under rules prescribed by the Board. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation an action on such claim may be brought against the Corporation in the district court of the United States in and for the district in which the insured farm is located, and exclusive jurisdiction is hereby conferred upon such courts to determine such controversies without regard to the amount in controversy: *Provided*, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to the claimant.

(d) From time to time, in such manner and through such agencies as the Board may determine, to purchase, handle, store, insure, provide storage facilities for, and sell wheat, and pay any expenses incidental thereto, it being the intent of this provision, however, that, insofar as practicable, the Corporation shall purchase wheat only at the rate and to a total amount equal to the payment of premiums in cash by farmers or to replace promptly wheat sold to prevent deterioration; and shall sell wheat only to the extent necessary to cover payments of indemnities and to prevent deterioration: *Provided, however*, That nothing in this section shall prevent prompt offset purchases and sales of wheat for convenience in handling. The restriction on the purchase and sale of wheat provided in this section shall be made a part of any crop insurance agreement made under this title. Notwithstanding any provision of this title, there shall be no limitation upon the legal or equitable remedies available to the insured to enforce against the Corporation the foregoing restriction with respect to purchases and sales of wheat.

INDEMNITIES EXEMPT FROM LEVY

SEC. 509. Claims for indemnities under this title shall not be liable to attachment, levy, garnishment, or any other legal process before payment to the insured or to deduction on account of the indebtedness of the insured or his estate to the United States except claims of the United States or the Corporation arising under this title.

DEPOSIT OF FUNDS

SEC. 510. All money of the Corporation not otherwise employed may be deposited with the Treasurer of the United States or in any bank approved by the Secretary of the Treasury, subject to withdrawal by the Corporation at any time, or with the approval of the Secretary of the Treasury may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Subject to the approval of the Secretary of the Treasury, the Federal Reserve banks are hereby authorized and directed to act as depositories, custodians, and fiscal agents for the Corporation in the performance of its powers conferred by this title.

TAX EXEMPTION

SEC. 511. The Corporation, including its franchise, its capital, reserves, and surplus, and its income and property, shall be exempt from all taxation now or hereafter imposed by the United States or by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

FISCAL AGENT OF GOVERNMENT

SEC. 512. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and it may also be employed as a financial agent of the Government; and it shall perform all such reasonable duties, as a depository of public money and financial agent of the Government, as may be required of it.

ACCOUNTING BY CORPORATION

SEC. 513. The Corporation shall at all times maintain complete and accurate books of account and shall file annually with the Secretary of Agriculture a complete report as to the business of the Corporation. The financial transactions

of the Corporation shall be audited at least once each year by the General Accounting Office for the sole purpose of making a report to Congress, together with such recommendations as the Comptroller General of the United States may deem advisable: *Provided*, That such report shall not be made until the Corporation shall have had reasonable opportunity to examine the exceptions and criticisms of the Comptroller General or the General Accounting Office, to point out errors therein, explain or answer the same, and to file a statement which shall be submitted by the Comptroller General with his report.

CRIMES AND OFFENSES

SEC. 514. (a) Whoever makes any statement knowing it to be false, or who ever willfully overvalues any security, for the purpose of influencing in any way the action of the Corporation, or for the purpose of obtaining for himself or another money, property, or anything of value, under this title, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) No person shall, while acting in any official capacity in the administration of this title, speculate, directly or indirectly, in any agricultural commodity or product thereof, to which this title applies, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subsection shall upon conviction thereof be fined not more than \$10,000 or imprisoned not more than two years, or both.

(c) Whoever, being connected in any capacity with the Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Corporation or pledged or otherwise entrusted to it; or (2) with intent to defraud the Corporation, or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes any false entry in any book, report, or statement of, or to, the Corporation or draws any order, or issues, puts forth, or assigns any note or other obligation or draft, mortgage, judgment, or decree thereof; or (3) with intent to defraud the Corporation, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other acts of the Corporation, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(d) Whoever willfully shall conceal, remove, dispose of, or convert to his own use or to that of another, any property mortgaged or pledged to, or held by, the Corporation, as security for any obligation, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(e) Whoever conspires with another to accomplish any of the acts made unlawful by the preceding provisions of this section shall, on conviction thereof, be subject to the same fine or imprisonment, or both, as is applicable in the case of conviction for doing such unlawful act.

(f) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, secs. 202 to 207, inclusive) insofar as applicable are extended to apply to contracts or agreements with the Corporation under this title: *Provided, however*, That the provisions of section 3741 of the Revised Statutes (U. S. C., title 41, sec. 22) and sections 114 and 115 of the Criminal Code of the United States shall not apply to any crop-insurance agreements made under this title.

ADVISORY COMMITTEE

SEC. 515. The Secretary of Agriculture is authorized to appoint from time to time an advisory committee, consisting of not more than five members experienced in agricultural pursuits and appointed with due consideration to their geographical distribution, to advise the Corporation with respect to carrying out the purposes of this title. The compensation of the members of such committee shall be determined by the Board but shall not exceed \$10 per day each while actually employed and actual necessary traveling and subsistence expenses, or a per diem allowance in lieu thereof.

APPROPRIATIONS AND REGULATIONS

SEC. 516. (a) There are hereby authorized to be appropriated such sums, not in excess of \$6,000,000 for each fiscal year beginning after June 30, 1938, as may be necessary to cover the operating and administrative costs of the Corporation, which shall be allotted to the Corporation in such amounts and at such time or times as the Secretary of Agriculture may determine: *Provided*, That expenses in connection with the purchase, transportation, handling, or sale of wheat may be considered by the Corporation as being nonadministrative or nonoperating expenses. For the fiscal year ending June 30, 1939, the appropriation authorized under this subsection is authorized to be made only out of the unexpended balances for the fiscal year ending June 30, 1938, of the sums appropriated pursuant to section 15 of the Soil Conservation and Domestic Allotment Act, as amended.

(b) The Secretary and the Corporation, respectively, are authorized to issue such regulations as may be necessary to carry out the provisions of this title.

SEPARABILITY

SEC. 517. The sections of this title and subdivisions of sections are hereby declared to be separable, and in the event any one or more sections or parts of the same of this title be held to be unconstitutional, the same shall not affect the validity of other sections or parts of sections of this title.

RIGHT TO AMEND

SEC. 518. The right to alter, amend, or repeal this title is hereby reserved. Approved, February 16, 1938, 3 p. m.

PART III.—ANNOTATED COMPILATION OF LEGISLATION MAKING AVAILABLE FUNDS FOR CARRYING OUT THE PURPOSES OF SECTIONS 7-17, INCLUSIVE, OF THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT, AS AMENDED, AND THE AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED, AND OF RELATED LEGISLATION

APPROPRIATIONS TO CARRY OUT SECTIONS 7 TO 17, SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT, AS AMENDED, ET CETERA

FISCAL YEAR 1937¹

To enable the Secretary of Agriculture to carry into effect the provisions of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936 (Public, No. 461, 74th Congress), including the employment of personal services and rent in the District of Columbia and elsewhere, printing and binding, purchase of law books, books of reference, periodicals and newspapers, and other necessary expenses, \$440,000,000, together with not to exceed \$30,000,000 of the funds made available under the head "Payments for Agricultural Adjustment" in the Supplemental Appropriation Act, fiscal year 1936, approved February 11, 1936 (Public, No. 440, 74th Congress); to be immediately available and to remain available until June 30, 1938, for compliances under said Act in the calendar year 1936: *Provided*, That no part of such amount shall be available after June 30, 1937, for salaries and other administrative expenses except for payment of obligations therefor incurred prior to July 1, 1937: *Provided further*, That the Secretary of Agriculture may, in his discretion, from time to time transfer to the General Accounting Office such sums as may be necessary to pay administrative expenses of the General Accounting Office in auditing payments under this item.²

¹ Sec. 2 of the Independent Offices Appropriation Act, 1937, approved March 19, 1936, 49 Stat. 1167.

² Sec. 7 (c) of Title IV of the First Deficiency Appropriation Act, fiscal year 1936, provided as follows: "The appropriation made by section 2 of the Independent Offices Appropriation Act, 1937, for carrying out sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act is hereby made available to the Department of Agriculture for the purposes of carrying out such Act with respect to land devoted to growing trees for the production of gum turpentine and gum rosin."

The item entitled "Conservation and Use of Agricultural Land Resources, Department of Agriculture" contained in the Department of Agriculture Appropriation Act, 1938, provides in part as follows: "That not to exceed \$5,000,000 of the funds appropriated under

FISCAL YEAR 1938³

To enable the Secretary of Agriculture to carry into effect the provisions of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936 (U. S. C., Supp. II, title 16, secs. 590g-590q), including the employment of personal services and rent in the District of Columbia and elsewhere; printing and binding; purchase of law books, books of reference, periodicals, and newspapers; and other necessary expenses, \$340,000,000, together with not to exceed \$110,000,000 of the funds made available for the fiscal years 1937 and 1938 by section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes," approved August 24, 1935 (U. S. C., Supp. II, title 7, sec. 612c): *Provided*, That the unobligated funds made available for the fiscal year 1937 be first transferred, and not to exceed \$50,000,000 of the unexpended balance of the appropriation of \$100,000,000 provided under section 12 (a), title I, of the Agricultural Adjustment Act of May 12, 1933 (U. S. C., Supp. II, title 7, sec. 612), in all, not to exceed \$500,000,000, to remain available until June 30, 1939, for compliances under said Act of February 29, 1936, pursuant to the provisions of the 1937 programs carried out during the period November 1, 1936, to December 31, 1937, inclusive: *Provided*, That no part of such amount shall be available after June 30, 1938, for salaries and other administrative expenses except for payment of obligations therefor incurred prior to July 1, 1938: *Provided further*, That such amount shall be available for salaries and other administrative expenses in connection with the formulation and administration of the 1938 programs or plans now or hereafter authorized under section 7 or 8, or both, of said Act: *Provided further*, That the Secretary of Agriculture may, in his discretion, from time to time transfer to the General Accounting Office such sums as may be necessary to pay administrative expenses of the General Accounting Office in auditing payments under this item: *Provided further*, That such amount shall be available for the purchase of seeds, fertilizers, or any other farming materials and making grants thereof to agricultural producers to aid them in carrying out farming practices approved by the Secretary of Agriculture in the 1937 programs, for the reimbursement of the Tennessee Valley Authority for fertilizers heretofore or hereafter furnished by it to the Secretary of Agriculture for such purpose, and for the payment of all expenses necessary in making such grants including all or part of the costs incident to the delivery thereof: *Provided further*, That not to exceed \$5,000,000 of the funds appropriated under section 2 of the "Independent Offices Appropriation Act, 1937" is hereby made available subject to the limitations prescribed therein, for compliances in the calendar year 1937 under the provisions of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, but obligations incurred hereunder with respect to such compliances shall not be included in applying the limitations on the amount of obligations which may be incurred for any calendar year contained in section 16 of said Soil Conservation and Domestic Allotment Act: *And provided further*, That the funds provided by section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes," approved August 24, 1935 (U. S. C., Supp. II, title 7, sec. 612c), shall be available during the fiscal year 1938 for administrative expenses in such sums as the President may direct in carrying out the provisions of said section, including the employment of persons and means in the District of Columbia and elsewhere, in accordance with the provisions of law applicable to the employment of persons and means by Agricultural Adjustment Administration.

FISCAL YEAR 1939⁴

To enable the Secretary of Agriculture to carry into effect the provision of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act,

section 2 of the 'Independent Offices Appropriation Act, 1937' is hereby made available, subject to the limitations prescribed therein, for compliance in the calendar year 1937 under the provisions of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, but obligations incurred hereunder with respect to such compliances shall not be included in applying the limitations on the amount of obligations which may be incurred for any calendar year contained in section 16 of said Soil Conservation and Domestic Allotment Act."

³Item entitled "Conservation and Use of Agricultural Land Resources, Department of Agriculture," contained in the Department of Agriculture Appropriation Act, 1938, approved June 29, 1937, 50 Stat. 395.

⁴Item entitled "Conservation and Use of Agricultural Land Resources, Department of Agriculture," contained in the Department of Agriculture Appropriation Act, 1939, approved June 16, 1938.

approved February 29, 1936 (16 U. S. C. 590g-590q), and the provisions of the Agricultural Adjustment Act of 1938 (except the making of payments pursuant to sections 303 and 381 and the provisions of titles IV and V), including the employment of persons and means in the District of Columbia and elsewhere; rent in the District of Columbia; printing and binding; purchase of law books, books of reference, periodicals, and newspapers, \$345,000,000, together with not to exceed \$155,000,000 of the unexpended balance of the appropriations made by the Supplemental Appropriation Act, fiscal year 1936, under the head "Payments for Agricultural Adjustment" (49 Stat. 1116), by section 12 (a), title I, of the Agricultural Adjustment Act of May 12, 1933 (7 U. S. C. 612), and by section 2 of the Independent Offices Appropriation Act, 1937, approved March 19, 1936 (49 Stat. 1183), in all, not to exceed \$500,000,000, to remain available until June 30, 1940, for compliances under said Act of February 29, 1936, as amended, pursuant to the provisions of the 1938 programs carried out during the period November 1, 1937, to December 31, 1938, inclusive: *Provided*, That no part of such amount shall be available for carrying out the provisions of section 202 (f) of the Agricultural Adjustment Act of 1938, and not to exceed \$100,000 shall be available under the provisions of section 202 (a) to 202 (e), inclusive, of said Act to conduct a survey to determine the location of said laboratories and the scope of the investigations to be made and to coordinate the research work now being carried on: *Provided further*, That no part of such amount shall be available after June 30, 1939, for salaries and other administrative expenses except for payment of obligations therefor incurred prior to July 1, 1939: *Provided further*, That such amount shall be available for salaries and other administrative expenses in connection with the formulation and administration of the 1939 programs or plans now or hereafter authorized under section 7 or 8, or both, of said Act of February 29, 1936, or under said provisions of the Agricultural Adjustment Act of 1938: *Provided further*, That the Secretary of Agriculture may, in his discretion, from time to time transfer to the General Accounting Office such sums as may be necessary to pay administrative expenses of the General Accounting Office in auditing payments under this item: *Provided further*, That such amount shall be available for the purchase of seeds, fertilizers, lime, trees, or any other farming materials and making grants thereof to agricultural producers to aid them in carrying out farming practices approved by the Secretary of Agriculture in the 1938 and 1939 programs under said Act of February 29, 1936, as amended; for the reimbursement of the Tennessee Valley Authority or any other Government agency for fertilizers, seeds, lime, trees, or other farming materials furnished by such agency; and for the payment of all expenses necessary in making such grants, including all or part of the costs incident to the delivery thereof: *And provided further*, That the funds provided by section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935 (7 U. S. C. 612c), shall be available during the fiscal year 1939 for administrative expenses, in accordance with the provisions of section 392 of the Agricultural Adjustment Act of 1938, in carrying out the provisions of said section, including the employment of persons and means in the District of Columbia and elsewhere, in accordance with the provisions of law applicable to the employment of persons and means by Agricultural Adjustment Administration: *And provided further*, That in carrying out the provisions of the Third Deficiency Appropriation Act, fiscal year 1937, and section 381 (a) of the Agricultural Adjustment Act of 1938, as amended, relating to cotton price adjustment payments with respect to the 1937 cotton crop, in order to accelerate such payments the Secretary shall, notwithstanding said provisions, (1) treat all cotton not sold prior to September 10, 1937, as if it had been sold on a date when the average price of seven-eighths-inch Middling cotton on the ten designated spot cotton markets was less than 9 cents per pound; (2) make payment on the basis of applications filed prior or subsequent to July 16, 1938, on forms prescribed by the Secretary, by the 1937 operator or other person designated pursuant to regulations prescribed by the Secretary on behalf of all the producers on the farm in 1937 or by individual producers, provided that (a) payment will not be made to the 1938 operator of the farm unless he certifies that he has complied thereon with the requirements defined in said section 381 (a), which certificate shall be taken to certify to such compliance on the part of all producers on the farm in 1938 who produced cotton in 1937, (b) payment shall not be delivered to any operator or producer until he has agreed in writing to refund the payment forthwith upon demand in case it is subsequently found that he has failed to comply with the requirements as defined herein and in said section 381 (a), (c) in cases where cotton was produced in 1937 on two or more

producer units on the farm it shall be assumed that the production thereon was uniform, and (d) it shall be assumed that there was a total or partial crop failure resulting from hail, drought, flood, or boll-weevil infestation (which is defined to include any other insect or fungus) only if the yield in 1937 is below the base yield for the farm and in such case the total production shall be considered to be the normal yield for the farm multiplied by the number of acres planted to cotton in 1937; and (3) make payments, as soon as practicable, on the basis of his estimate of the amounts which will be covered by the applications to be filed and of the funds to be used out of the appropriation for the necessary administrative expenses of making the cotton price adjustment payments: *And provided further*, That in administering the naval stores conservation programs authorized in section 8 of the Soil Conservation and Domestic Allotment Act and in making payments thereunder to gum naval stores producers the Secretary may utilize the services of regional associations of such producers or any agency of the Government in lieu of the State, county, and other local committees utilized in the other agricultural conservation programs if he finds that more efficient administration will result, and the provisions of section 388 (b) of the Agricultural Adjustment Act of 1938 shall otherwise be applicable to the administration of said naval stores conservation programs.

APPROPRIATION TO CARRY OUT THE AGRICULTURAL ADJUSTMENT ACT OF 1938 ⁶

For the administration of the Agricultural Adjustment Act of 1938 (including the provisions of title 5 thereof) during the fiscal year ending June 30, 1938, there is hereby appropriated out of the unexpended balance of the funds appropriated for such fiscal year for carrying out the purposes of the Soil Conservation and Domestic Allotment Act, as amended, not to exceed the sum of \$5,000,000, as authorized by subsection (b) of section 391 of such Agricultural Adjustment Act of 1938.

APPROPRIATION TO CARRY OUT THE FEDERAL CROP INSURANCE ACT ⁶

Administrative and operating expenses: Not to exceed \$5,500,000 of the unobligated balance of the appropriation made in the Department of Agriculture Appropriation Act, 1938, under the heading "Conservation and Use of Agricultural Land Resources, Department of Agriculture," is hereby made available for operating and administrative expenses under the Federal Crop Insurance Act (title V, Agricultural Adjustment Act of 1938), approved February 16, 1938, during the fiscal year ending June 30, 1939, to be allotted by the Secretary of Agriculture (a) to the Federal Crop Insurance Corporation, as authorized by section 516 (a) of such Act, and (b) to bureaus and offices of the Department of Agriculture or for transfer to other agencies of State and Federal Governments, as authorized by section 507 (d) of such Act; and such part as the Secretary allots under clause (b) hereof, shall be available for the employment of persons and means in the District of Columbia and elsewhere, rent in the District of Columbia, printing and binding, purchase of law books, books of reference, periodicals, and newspapers.

Subscriptions to capital stock, Federal Crop Insurance Corporation: Not to exceed \$20,000,000 of the unobligated balance of the appropriation made in the Department of Agriculture Appropriation Act, 1938, approved June 29, 1937, under the head "Conservation and Use of Agricultural Land Resources, Department of Agriculture," is hereby made available for use by the Secretary of the Treasury during the fiscal year 1939, at such times and in such amounts as the Secretary of Agriculture may request, for the purpose of subscribing to and paying for the capital stock of the Federal Crop Insurance Corporation of the United States of America, as provided for in section 504 of the Federal Crop Insurance Act, approved February 16, 1938. The payment for said stock by the Secretary of the Treasury shall, with the approval of the Secretary of Agriculture, be subject to call in whole or in part by the Board of Directors of the Federal Crop Insurance Corporation, and shall be effected by transfer of funds on the books of the Treasury Department to the credit of the corporation, the funds so transferred to be subject to requisition by the corporation with the approval of the Secretary of Agriculture.

⁶ Sec. 2 of Public Res. No. 81, 75th Cong., approved March 2, 1938.

⁶ The item entitled "Federal Crop Insurance Act" contained in the Department of Agriculture Appropriation Act, 1939, approved June 16, 1938.

APPROPRIATION FOR RETIREMENT OF COTTON POOL PARTICIPATION TRUST CERTIFICATES⁷

To enable the Secretary of Agriculture to carry into effect the provisions of title IV of the Agricultural Adjustment Act of 1938, approved February 16, 1938, fiscal year 1938, to remain available until June 30, 1939, \$1,800,000: *Provided*, That the Secretary of Agriculture may, in his discretion, from time to time transfer to the General Accounting Office such sums as may be necessary to pay administrative expenses of the General Accounting Office in auditing payments under this title: *Provided further*, That the authority of the manager, cotton pool, to purchase and pay for participation trust certificates, Form C-5-I, shall extend to and include the 31st day of December 1938 but after the expiration of said limit, the purchase may be consummated of any such certificates tendered to the manager, cotton pool, on or before December 31, 1938, but where for any reason the purchase price shall not have been paid by the manager, cotton pool: *Provided further*, That the date May 1, 1938, appearing in title IV of the Agricultural Adjustment Act of 1938, as amended, shall not be applicable: *Provided further*, That in case any person who is entitled to payment on a participation trust certificate, Form C-5-I, dies, becomes incompetent, or disappears before receiving such payment or before application for such payment is executed, the Secretary of Agriculture shall provide by regulations, without regard to any other provisions of law, for such payment to such person as he may determine to be fairly and reasonably entitled thereto.

INTERNATIONAL PRODUCTION CONTROL COMMITTEES⁸

During the fiscal year 1939 the Secretary of Agriculture may expend not to exceed \$17,500 from the funds available to the Agricultural Adjustment Administration for the share of the United States as a member of the International Wheat Advisory Committee, the International Sugar Council, or like events or bodies concerned with the reduction of agricultural surpluses or with other objectives of the Agricultural Adjustment Administration, together with traveling and other necessary expenses relating thereto.

INTERNATIONAL PRODUCTION CONTROL COMMITTEES⁹

The limitation in the amount which the Secretary of Agriculture may expend for the objects specified under this head in the Agricultural Appropriation Act for the fiscal year 1938, from the funds available to the Agricultural Adjustment Administration, is hereby increased from \$7,500 to \$10,000.

PRICE ADJUSTMENT ACT OF 1938¹⁰

SEC. 501. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, to be available until expended, the sum of \$212,000,000 to enable the Secretary of Agriculture to make parity payments to producers of wheat, cotton, corn (in the commercial corn-producing area), rice, and tobacco pursuant to the provisions of section 303 of the Agricultural Adjustment Act of 1938: *Provided, however*, That, notwithstanding the provisions of said section, one-half of this sum shall be apportioned among such commodities in accordance with the provisions of said section 303 of the Agricultural Adjustment Act of 1938 and one-half shall be apportioned among such commodities in the same proportion that funds available for sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act would be allocated to such commodities in connection with the 1939 agricultural conservation program on the basis of the standards set forth in section 104 of the Agricultural Adjustment Act of 1938: *Provided further*, That such payments with respect to any such commodity shall be made upon the normal yield of the farm acreage allotment established for the commodity under the 1939 agricultural conservation program, and shall be made with respect to a farm only in the event that the acreage planted to the commodity for harvest on the farm in 1939 is not in excess of the farm

⁷ The item entitled "Retirement of Cotton Pool Participation Trust Certificates" contained in the Department of Agriculture Appropriation Act, 1939, approved June 16, 1938.

⁸ Excerpt from the Department of Agriculture Appropriation Act, 1939, approved June 16, 1938.

⁹ Excerpt from the Third Deficiency Appropriation Act, fiscal year 1937, Public, No. 354, 75th Cong., approved August 25, 1937.

¹⁰ The "Price Adjustment Act of 1938" is Title V of Public Res. No. 122, 75th Cong., approved June 21, 1938.

acreage allotment established for the commodity under said program: *And provided further*, That the rate of payment with respect to any commodity shall not exceed the amount by which the average farm price of the commodity is less than 75 per centum of the parity price.

In apportioning the funds among commodities, parity income for each commodity shall be considered a normal year's domestic consumption and exports (in the case of corn, that part of a normal year's domestic consumption and exports determined on the basis of the proportion that corn production in the commercial corn-producing area was of United States production during the five years 1928-32, inclusive) of such commodity times the parity price. In determining parity prices and farm prices for these commodities, that part of the marketing year ending January 31, 1939, shall be used. In case any person who is entitled to payment hereunder dies, becomes incompetent or disappears before receiving such payment or is succeeded by another who renders or completes the required performance, payment shall, without regard to any other provisions of law, be made as the Secretary of Agriculture may determine to be fair and reasonable in all the circumstances and provide by regulations. The administration of this title shall be in accordance with the provisions of the Agricultural Adjustment Act of 1938 and the provisions of other titles of this joint resolution shall not apply to this title.

This title may be cited as the "Price Adjustment Act of 1938."¹¹

AGRICULTURAL ADJUSTMENT EXHIBITS¹²

In carrying into effect the provisions of the Soil Conservation and Domestic Allotment Act, as amended, and the Agricultural Adjustment Act of 1938, as amended, the Secretary of Agriculture is authorized to expend out of the appropriations available to carry into effect the provisions of said Acts, during the fiscal years 1938 and 1939, not to exceed \$50,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States.

RECONCENTRATION OF COTTON UNDER COMMODITY CREDIT CORPORATION LOAN¹³

That in the administration of section 383 (b) of the Agricultural Adjustment Act of 1938 the written consent of the producer or borrower to the reconcentration of any cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not be deemed to have been given unless such consent shall have been given in an instrument made solely for that purpose. Notwithstanding any provision of any loan agreement heretofore made, no cotton held under any such agreement as security for any such loan shall be moved from one warehouse to another unless the written consent of the producer or borrower shall have been obtained in a separate instrument given solely for that purpose, as required by this Act. The giving of written consent for the reconcentration of cotton shall not be made a condition upon the making of any loan hereafter made or arranged for by the Commodity Credit Corporation: *Provided, however*, That in cases where there is congestion and lack of storage facilities, and the local warehouse certifies such fact and requests the Commodity Credit Corporation to move the cotton for reconcentration to some other point, or when the Commodity Credit Corporation determines such loan cotton is improperly warehoused and subject to damage, or if uninsured, or if any of the terms of the loan agreement are violated, or if carrying charges are substantially in excess of the average of carrying charges available elsewhere, and the local warehouse, after notice, declines to reduce such charges, such written consent as provided in this amendment need not be obtained; and consent to movement under any of the conditions of this proviso may be required in future loan agreements.

¹¹ Section 502 of the Price Adjustment Act of 1938 is omitted in this compilation since that section only contains amendments to section 302 of the Agricultural Adjustment Act of 1938. These amendments are shown in the Annotated Compilation of the Agricultural Adjustment Act of 1938, as amended, *infra*, pages 21, 22.

¹² The item entitled "Conservation and Use of Agricultural Land Resources, Department of Agriculture," contained in the Second Deficiency Appropriation Act, fiscal year 1938, approved June 25, 1938.

¹³ The act entitled "An Act Relating to the manner of securing written consent for the reconcentration of cotton under section 383 (b) of the Agricultural Adjustment Act of 1938," approved June 16, 1938.

Exhibit 27.—ANNOTATED COMPILATION OF AGRICULTURAL MARKETING AGREEMENT ACT OF 1937 REENACTING, AMENDING, AND SUPPLEMENTING THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED ¹

PREFATORY NOTE

This compilation is intended to indicate the present status of legislation by Congress relating to marketing agreements and orders regulating the handling of agricultural commodities in interstate and foreign commerce. The Agricultural Marketing Agreement Act of 1937, approved June 3, 1937 (Public, No. 137—75th Congress—Chap. 296, 1st Session), reenacted and amended certain provisions of the Agricultural Adjustment Act, as amended, relating to marketing agreements and orders. Related legislation enacted prior to June 3, 1937, is given in the compilation known as "Annotated Compilation of the Agricultural Adjustment Act, as Amended, and Acts Relating Thereto at the Close of the First Session of the Seventy-Fourth Congress, August 26, 1935"; Superintendent of Documents, Washington, D. C.

Throughout the text of this compilation, bold face type is used for the language of the Agricultural Marketing Agreement Act of 1937; light face type is used for the language of the Agricultural Adjustment Act, as amended, as reenacted by the Agricultural Marketing Agreement Act of 1937; italics are used for amendments made by section 2 of the Agricultural Marketing Agreement Act of 1937 to the Agricultural Adjustment Act, as amended.

The provisions of section 2 of the Agricultural Marketing Agreement Act of 1937 are not set out *haec verba*. They are, however, incorporated in the body of the provisions of the Agricultural Adjustment Act, as amended, which they amend. References to the amendatory provisions of section 2 of the Agricultural Marketing Agreement Act of 1937 are contained in the annotations.

An act to reenact and amend provisions of the Agricultural Adjustment Act, as amended, relating to marketing agreements and orders

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following provisions of the Agricultural Adjustment Act, as amended, not having been intended for the control of the production of agricultural commodities, and having been intended to be effective irrespective of the validity of any other provision of that act, are expressly affirmed and validated, and are reenacted without change except as provided in section 2:

(a) Section 1 (relating to the declaration of emergency);

DECLARATION

It is hereby declared that the disruption of the orderly exchange of commodities in interstate commerce impairs the purchasing power of farmers and destroys the value of agricultural assets which support the national credit structure and that these conditions affect transactions in agricultural commodities with a national public interest, and burden and obstruct the normal channels of interstate commerce.²

¹For annotations to the Agricultural Adjustment Act, as amended; for provisions of that act not reenacted by the provisions of the Agricultural Marketing Agreement Act of 1937; and for other acts of Congress relating both to the Agricultural Adjustment Act, as amended, and to the Agricultural Marketing Agreement Act of 1937 see "Annotated Compilation of Agricultural Adjustment Act as Amended and Acts Relating Thereto at the Close of the First Session of the 74th Congress, August 26, 1935"; Superintendent of Documents, Washington, D. C.

²As amended by sec. 2 (a) of the Agricultural Marketing Agreement Act of 1937. The text of sec. 1 of the Agricultural Adjustment Act, as amended, was as follows:

"DECLARATION OF EMERGENCY

"That the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the national credit structure, it is hereby declared that these conditions in the basic industry of agriculture have affected transactions in agricultural commodities with a national public interest, have burdened and obstructed the normal currents of commerce in such commodities, and render imperative the immediate enactment of title I of this Act."

(b) Section 2 (relating to declaration of policy);

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of Congress—

(1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such *orderly marketing conditions for agricultural commodities in interstate commerce as will establish*³ prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period; and, in the case of all commodities for which the base period is the pre-war period, August 1909 to July 1914, will also reflect current interest payments per acre on farm indebtedness secured by real estate and tax payments per acre on farm real estate, as contrasted with such interest payments and tax payments during the base period. The base period in the case of all agricultural commodities except tobacco and potatoes shall be the pre-war period, August 1909–July 1914. In the case of tobacco and potatoes, the base period shall be the postwar period, August 1919–July 1929.

(2) To protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in subsection (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section.

(c) Section 8a (5), (6), (7), (8), and (9) relating to violations and enforcement;

SEC. 8a (5) Any person willfully exceeding any quota or allotment fixed for him under this title by the Secretary of Agriculture, and any other person knowingly participating, or aiding, in the exceeding of said quota or allotment, shall forfeit to the United States a sum equal to three times the current market value of such excess, which forfeiture shall be recoverable in a civil suit brought in the name of the United States.

(6) The several district courts of the United States are hereby vested with jurisdiction specifically to enforce, and to prevent and restrain any person from violating⁴ any order, regulation, or agreement, heretofore or hereafter made or issued pursuant to this title, in any proceeding now pending or hereafter brought in said courts.

(7) Upon the request of the Secretary of Agriculture, it shall be the duty of the several district attorneys of the United States, in their respective districts, under the directions of the Attorney General, to institute proceedings to enforce the remedies and to collect the forfeitures provided for in, or pursuant to, this title. Whenever the Secretary, or such officer or employee of the Department of Agriculture as he may designate for the purpose, has reason to believe that any handler has violated, or is violating, the provisions of any order or amendment thereto issued pursuant to this title, the Secretary shall have power to institute an investigation and, after due notice to such handler, to conduct a hearing in order to determine the facts for the purpose of referring the matter to the Attorney General for appropriate action.

(8) The remedies provided for in this section shall be in addition to, and not exclusive of, any of the remedies or penalties provided for elsewhere in this title or now or hereafter existing at law or in equity.

(9) The term "person" as used in this title includes an individual, partnership, corporation, association, and any other business unit.

(d) Section 8b (relating to marketing agreements);

SEC. 8b. In order to effectuate the declared policy of this title, the Secretary of Agriculture shall have the power, after due notice and opportunity for hear-

³ The italicized words were substituted by sec. 2 (b) of the Agricultural Marketing Agreement Act of 1937 in lieu of the words "balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish."

⁴ The following was deleted by section 2 (c) of the Agricultural Marketing Agreement Act of 1937: ", the provisions of this section, or of".

ing, to enter into marketing agreements with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof, only with respect to such handling as is in the current of interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof. The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful: *Provided*, That no such agreement shall remain in force after the termination of this Act. For the purpose of carrying out any such agreement the parties thereto shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act. Such loans shall not be in excess of such amounts as may be authorized by the agreements.

(e) Section 8c (relating to orders);

ORDERS

SEC. 8c. (1) The Secretary of Agriculture shall, subject to the provisions of this section, issue, and from time to time amend, orders applicable to processors, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof specified in subsection (2) of this section. Such persons are referred to in this title as "handlers." Such orders shall regulate, in the manner hereinafter in this section provided, only such handling of such agricultural commodity, or product thereof, as is in the current of interstate or foreign commerce, or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof.

COMMODITIES TO WHICH APPLICABLE

(2) Orders issued pursuant to this section shall be applicable only to the following agricultural commodities and the products thereof (except products of naval stores), or to any regional, or market classification of any such commodity or product: Milk, fruits (including pecans and walnuts but not including apples and not including fruits, other than olives, for canning), tobacco, vegetables (not including vegetables, other than asparagus, for canning) soybeans and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin).

NOTICE AND HEARING

(3) Whenever the Secretary of Agriculture has reason to believe that the issuance of an order will tend to effectuate the declared policy of this title with respect to any commodity or product thereof specified in subsection (2) of this section, he shall give due notice of and an opportunity for a hearing upon a proposed order.

FINDING AND ISSUANCE OF ORDER

(4) After such notice and opportunity for hearing, the Secretary of Agriculture shall issue an order if he finds, and sets forth in such order, upon the evidence introduced at such hearing (in addition to such other findings as may be specifically required by this section) that the issuance of such order and all of the terms and conditions thereof will tend to effectuate the declared policy of this title with respect to such commodity.

TERMS—MILK AND ITS PRODUCTS

(5) In the case of milk and its products, orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7)) no others:

(A) Classifying milk in accordance with the form in which or the purpose for which it is used, and fixing, or providing a method for fixing, minimum prices for each such use classification which all handlers shall pay, and the time when payments shall be made, for milk purchased from producers or associations of producers. Such prices shall be uniform as to all handlers, subject only to adjustments for (1) volume, market, and production differentials

customarily applied by the handlers subject to such order, (2) the grade or quality of the milk purchased, and (3) the locations at which delivery of such milk, or any use classification thereof, is made to such handlers.

(B) Providing:

(i) for the payment to all producers and associations of producers delivering milk to the same handler of uniform prices for all milk delivered by them: *Provided*, That, except in the case of orders covering milk products only, such provision is approved or favored by at least three-fourths of the producers who, during a representative period determined by the Secretary of Agriculture, have been engaged in the production for market of milk covered in such order or by producers who, during such representative period, have produced at least three-fourths of the volume of such milk produced for market during such period; the approval required hereunder shall be separate and apart from any other approval or disapproval provided for by this section; or

(ii) for the payment to all producers and associations of producers delivering milk to all handlers of uniform prices for all milk so delivered, irrespective of the uses made of such milk by the individual handler to whom it is delivered;

subject, in either case, only to adjustments for (a) volume, market, and production differentials customarily applied by the handlers subject to such order, (b) the grade or quality of the milk delivered, (c) the locations at which delivery of such milk is made, and (d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their *marketings*⁵ of milk during a representative period of time.

(C) In order to accomplish the purposes set forth in paragraphs (A) and (B) of this subsection (5), providing a method for making adjustments in payments, as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the milk purchased by him at the prices fixed in accordance with paragraph (A) hereof.

(D) Providing that, in the case of all milk purchased by handlers from any producer who did not regularly sell milk during a period of 30 days next preceding the effective date of such order for consumption in the area covered thereby, payments to such producer, for the period beginning with the first regular delivery by such producer and continuing until the end of two full calendar months following the first day of the next succeeding calendar month, shall be made at the price for the lowest use classification specified in such order, subject to the adjustments specified in paragraph (B) of this subsection (5).

(E) Providing (i) except as to producers for whom such services are being rendered by a cooperative marketing association, qualified as provided in paragraph (F) of this subsection (5), for market information to producers and for the verification of weights, sampling, and testing of milk purchased from producers, and for making appropriate deductions therefor from payments to producers, and (ii) for assurance of, and security for, the payment by handlers for milk purchased.

(F) Nothing contained in this subsection (5) is intended or shall be construed to prevent a cooperative marketing association qualified under the provisions of the Act of Congress of February 18, 1922, as amended, known as the "Capper-Volstead Act", engaged in making collective sales or marketing of milk or its products for the producers thereof, from blending the net proceeds of all its sales in all markets in all use classifications, and making distribution thereof to its producers in accordance with the contract between the association and its producers: *Provided*, That it shall not sell milk or its products to any handler for use or consumption in any market at prices less than the prices fixed pursuant to paragraph (A) of this subsection (5) for such milk.

(G) No marketing agreement or order applicable to milk and its products in any marketing area shall prohibit or in any manner limit, in the case of the products of milk, the marketing in that area of any milk or product thereof produced in any production area in the United States.

⁵ The word "production" was deleted and the word "marketings" was substituted by section 2 (d) of the Agricultural Marketing Agreement Act of 1937.

TERMS—OTHER COMMODITIES

(6) In the case of fruits (including pecans and walnuts but not including apples and not including fruits, other than olives, for canning) and their products, tobacco and its products, vegetables (not including vegetables, other than asparagus, for canning) and their products, soybeans and their products, and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin), orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7)) no others:

(A) Limiting, or providing methods for the limitation of, the total quantity of any such commodity or product, or of any grade, size, or quality thereof, produced during any specified period or periods, which may be marketed in or transported to any or all markets in the current of interstate or foreign commerce or so as directly to burden, obstruct, or affect interstate or foreign commerce in such commodity or product thereof, during any specified period or periods by all handlers thereof.

(B) Allotting, or providing methods for allotting, the amount of such commodity or product, or any grade, size, or quality thereof, which each handler may purchase from or handle on behalf of any and all producers thereof, during any specified period or periods, under a uniform rule based upon the amounts⁶ sold by such producers in such prior period as the Secretary determines to be representative, or upon the current *quantities available for sale by*⁷ such producers, or both, to the end that the total quantity thereof to be purchased or handled during any specified period or periods shall be apportioned equitably among producers.

(C) Allotting, or providing methods for allotting, the amount of any such commodity or product, or any grade, size, or quality thereof, which each handler may market in or transport to any or all markets in the current of interstate or foreign commerce or so as directly to burden, obstruct, or affect interstate or foreign commerce in such commodity or product thereof, under a uniform rule based upon the amounts which each such handler has available for current shipment, or upon the amounts shipped by each such handler in such prior period as the Secretary determines to be representative, or both, to the end that the total quantity of such commodity or product, or any grade, size, or quality thereof, to be marketed in or transported to any or all markets in the current of interstate or foreign commerce or so as directly to burden, obstruct, or affect interstate or foreign commerce in such commodity or product thereof, during any specified period or periods shall be equitably apportioned among all of the handlers thereof.

(D) Determining, or providing methods for determining, the existence and extent of the surplus of any such commodity or product, or of any grade, size, or quality thereof, and providing for the control and disposition of such surplus, and for equalizing the burden of such surplus elimination or control among the producers and handlers thereof.

(E) Establishing, or providing for the establishment of, reserve pools of any such commodity or product, or of any grade, size, or quality thereof, and providing for the equitable distribution of the net return derived from the sale thereof among the persons beneficially interested therein.

TERMS COMMON TO ALL ORDERS

(7) In the case of the agricultural commodities and the products thereof specified in subsection (2) orders shall contain one or more of the following terms and conditions:

(A) Prohibiting unfair methods of competition and unfair trade practices in the handling thereof.

(B) Providing that (except for milk and cream to be sold for consumption in fluid form) such commodity or product thereof, or any grade, size, or quality thereof shall be sold by the handlers thereof only at prices filed by such handlers in the manner provided in such order.

⁶ The words "produced or" were deleted by section 2 (e) of the Agricultural Marketing Agreement Act of 1937.

⁷ The italicized words were substituted by section 2 (e) of the Agricultural Marketing Agreement Act of 1937, in lieu of the words: "production or sales of."

(C) Providing for the selection by the Secretary of Agriculture, or a method for the selection, of an agency or agencies and defining their powers and duties, which shall include only the powers:

- (i) To administer such order in accordance with its terms and provisions;
- (ii) To make rules and regulations to effectuate the terms and provisions of such order;
- (iii) To receive, investigate, and report to the Secretary of Agriculture complaints of violations of such order; and
- (iv) To recommend to the Secretary of Agriculture amendments to such order.

No person acting as a member of an agency established pursuant to this paragraph (C) shall be deemed to be acting in an official capacity, within the meaning of section 10 (g) of this title, unless such person receives compensation for his personal services from funds of the United States.

(D) Incidental to, and not inconsistent with, the terms and conditions specified in subsections (5), (6), and (7) and necessary to effectuate the other provisions of such order.

ORDERS WITH MARKETING AGREEMENT

(8) Except as provided in subsection (9) of this section, no order issued pursuant to this section shall become effective until the handlers (excluding cooperative associations of producers who are not engaged in processing, distributing, or shipping the commodity or product thereof covered by such order) of not less than 50 per centum of the volume of the commodity or product thereof covered by such order which is produced or marketed within the production or marketing area defined in such order have signed a marketing agreement, entered into pursuant to section 8b of this title, which regulates the handling of such commodity or product in the same manner as such order, except that as to citrus fruits produced in any area producing what is known as California citrus fruits no order issued pursuant to this subsection (8) shall become effective until the handlers of not less than 80 per centum of the volume of such commodity or product thereof covered by such order have signed such a marketing agreement: Provided, That no order issued pursuant to this subsection shall be effective unless the Secretary of Agriculture determines that the issuance of such order is approved or favored:

(A) By at least two-thirds of the producers who (except that as to citrus fruits produced in any area producing what is known as California citrus fruits said order must be approved or favored by three-fourths of the producers), during a representative period determined by the Secretary, have been engaged, within the production area specified in such marketing agreement or order, in the production for market of the commodity specified therein, or who, during such representative period, have been engaged in the production of such commodity for sale in the marketing area specified in such marketing agreement, or order, or

(B) By producers who, during such representative period, have produced for market at least two-thirds of the volume of such commodity produced for market within the production area specified in such marketing agreement or order, or who, during such representative period, have produced at least two-thirds of the volume of such commodity sold within the marketing area specified in such marketing agreement or order.

ORDERS WITH OR WITHOUT MARKETING AGREEMENT

(9) Any order issued pursuant to this section shall become effective in the event that, notwithstanding the refusal or failure of handlers (excluding cooperative associations of producers who are not engaged in processing, distributing, or shipping the commodity or product thereof covered by such order) of more than 50 per centum of the volume of the commodity or product thereof (except that as to citrus fruits produced in any area producing what is known as California citrus fruits said per centum shall be 80 per centum) covered by such order which is produced or marketed within the production or marketing area defined in such order to sign a marketing agreement relating to such commodity or product thereof, on which a hearing has been held, the Secretary of Agriculture, with the approval of the President, determines:

(A) That the refusal or failure to sign a marketing agreement (upon which a hearing has been held) by the handlers (excluding cooperative associations of producers who are not engaged in processing, distributing, or shipping the commodity or product thereof covered by such order) of more than 50 per centum of the volume of the commodity or product thereof (except that as to citrus fruits produced in any area producing what is known as California citrus fruits said per centum shall be 80 per centum) specified therein which is produced or marketed within the production or marketing area specified therein tends to prevent the effectuation of the declared policy of this title with respect to such commodity or product; and

(B) That the issuance of such order is the only practical means of advancing the interests of the producers of such commodity pursuant to the declared policy, and is approved or favored:

(i) By at least two-thirds of the producers (except that as to citrus fruits produced in any area producing what is known as California citrus fruits said order must be approved or favored by three-fourths of the producers) who, during a representative period determined by the Secretary, have been engaged, within the production area specified in such marketing agreement or order, in the production for market of the commodity specified therein, or who, during such representative period, have been engaged in the production of such commodity for sale in the marketing area specified in such marketing agreement, or order; or

(ii) By producers who, during such representative period, have produced for market at least two-thirds of the volume of such commodity produced for market within the production area specified in such marketing agreement or order, or who, during such representative period, have produced at least two-thirds of the volume of such commodity sold within the marketing area specified in such marketing agreement or order.

MANNER OF REGULATION AND APPLICABILITY

(10) No order shall be issued under this section unless it regulates the handling of the commodity or product covered thereby in the same manner as, and is made applicable only to persons in the respective classes of industrial or commercial activity specified in, a marketing agreement upon which a hearing has been held. No order shall be issued under this title prohibiting, regulating, or restricting the advertising of any commodity or product covered thereby, nor shall any marketing agreement contain any provision prohibiting, regulating, or restricting the advertising of any commodity or product covered by such marketing agreement.

REGIONAL APPLICATION

(11) (A) No order shall be issued under this section which is applicable to all production areas or marketing areas, or both, of any commodity or product thereof unless the Secretary finds that the issuance of several orders applicable to the respective regional production areas or regional marketing areas, or both, as the case may be, of the commodity or product would not effectively carry out the declared policy of this title.

(B) Except in the case of milk and its products, orders issued under this section shall be limited in their application to the smallest regional production areas or regional marketing areas, or both, as the case may be, which the Secretary finds practicable, consistently with carrying out such declared policy.

(C) All orders issued under this section which are applicable to the same commodity or product thereof shall, so far as practicable, prescribe such different terms, applicable to different production areas and marketing areas, as the Secretary finds necessary to give due recognition to the differences in production and marketing of such commodity or product in such areas.

COOPERATIVE ASSOCIATION REPRESENTATION

(12) Whenever, pursuant to the provisions of this section, the Secretary is required to determine the approval or disapproval of producers with respect to the issuance of any order, or any term or condition thereof, or the termination thereof, the Secretary shall consider the approval or disapproval by any cooperative association of producers, bona fide engaged in marketing the

commodity or product thereof covered by such order, or in rendering services for or advancing the interests of the producers of such commodity, as the approval or disapproval of the producers who are members of, stockholders in, or under contract with, such cooperative association of producers.

RETAILER AND PRODUCER EXEMPTION

(13) (A) No order issued under subsection (9) of this section shall be applicable to any person who sells agricultural commodities or products thereof at retail in his capacity as such retailer, except to a retailer in his capacity as a retailer of milk and its products.

(B) No order issued under this title shall be applicable to any producer in his capacity as a producer.

VIOLATION OF ORDER

(14) Any handler subject to an order issued under this section, or any officer, director, agent, or employee of such handler, who violates any provision of such order (other than a provision calling for payment of a pro rata share of expenses) shall, on conviction, be fined not less than \$50 or more than \$500 for each such violation, and each day during which such violation continues shall be deemed a separate violation: *Provided*, That if the court finds that a petition pursuant to subsection (15) of this section was filed and prosecuted by the defendant in good faith and not for delay, no penalty shall be imposed under this subsection for such violations as occurred between the date upon which the defendant's petition was filed with the Secretary, and the date upon which notice of the Secretary's ruling thereon was given to the defendant in accordance with regulations prescribed pursuant to subsection (15).

PETITION BY HANDLER AND REVIEW

(15) (A) Any handler subject to an order may file a written petition with the Secretary of Agriculture, stating that any such order or any provision of any such order or any obligation imposed in connection therewith is not in accordance with law and praying for a modification thereof or to be exempted therefrom. He shall thereupon be given an opportunity for a hearing upon such petition, in accordance with regulations made by the Secretary of Agriculture, with the approval of the President. After such hearing, the Secretary shall make a ruling upon the prayer of such petition which shall be final, if in accordance with law.

(B) The District Courts of the United States (including the Supreme Court of the District of Columbia) in any district in which such handler is an inhabitant, or has his principal place of business, are hereby vested with jurisdiction in equity to review such ruling, provided a bill in equity for that purpose is filed within twenty days from the date of the entry of such ruling. Service of process in such proceedings may be had upon the Secretary by delivering to him a copy of the bill of complaint. If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (1) to make such ruling as the court shall determine to be in accordance with law, or (2) to take such further proceedings as, in its opinion, the law requires. The pendency of proceedings instituted pursuant to this subsection (15) shall not impede, hinder, or delay the United States or the Secretary of Agriculture from obtaining relief pursuant to section 8a (6) of this title. Any proceedings brought pursuant to section 8a (6) of this title (except where brought by way of counterclaim in proceedings instituted pursuant to this subsection (15)) shall abate whenever a final decree has been rendered in proceedings between the same parties, and covering the same subject matter, instituted pursuant to this subsection (15).

TERMINATION OF ORDERS AND MARKETING AGREEMENTS

(16) (A) The Secretary of Agriculture shall, whenever he finds that any order issued under this section, or any provision thereof, obstructs or does not tend to effectuate the declared policy of this title, terminate or suspend the operation of such order or such provision thereof.

(B) The Secretary shall terminate any marketing agreement entered into under section 8b, or order issued under this section, at the end of the then current marketing period for such commodity, specified in such marketing agree-

ment or order, whenever he finds that such termination is favored by a majority of the producers who, during a representative period determined by the Secretary, have been engaged in the production for market of the commodity specified in such marketing agreement or order, within the production area specified in such marketing agreement or order, or who, during such representative period, have been engaged in the production of such commodity for sale within the marketing area specified in such marketing agreement or order: *Provided*, That such majority have, during such representative period, produced for market more than 50 per centum of the volume of such commodity produced for market within the production area specified in such marketing agreement or order, or have, during such representative period, produced more than 50 per centum of the volume of such commodity sold in the marketing area specified in such marketing agreement or order, but such termination shall be effective only if announced on or before such date (prior to the end of the then current marketing period) as may be specified in such marketing agreement or order.

(C) The termination or suspension of any order or amendment thereto or provision thereof, shall not be considered an order within the meaning of this section.

PROVISIONS APPLICABLE TO AMENDMENTS

(17) The provisions of this section, section 8d, and section 8e applicable to orders shall be applicable to amendments to orders: *Provided*, That notice of a hearing upon a proposed amendment to any order issued pursuant to section 8c, given not less than three days prior to the date fixed for such hearing, shall be deemed due notice thereof.

MILK PRICES

(18) *The Secretary of Agriculture, prior to prescribing any term in any marketing agreement or order, or amendment thereto, relating to milk or its products, if such terms is to fix minimum prices to be paid to producers or associations of producers, or prior to modifying the price fixed in any such term, shall ascertain, in accordance with section 2 and section 8e, the prices that will give such commodities a purchasing power equivalent to their purchasing power during the base period. The level of prices which it is declared to be the policy of Congress to establish in section 2 and section 8e shall, for the purposes of such agreement, order, or amendment, be such level as will reflect the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand, for milk or its products in the marketing area to which the contemplated marketing agreement, order, or amendment relates. Whenever the Secretary finds, upon the basis of the evidence adduced at the hearing required by section 8b or 8c, as the case may be, that the prices that will give such commodities a purchasing power equivalent to their purchasing power during the base period as determined pursuant to section 2 and section 8e are not reasonable in view of the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand for milk and its products in the marketing area to which the contemplated agreement, order, or amendment relates, he shall fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk, and be in the public interest. Thereafter, as the Secretary finds necessary on account of changed circumstances, he shall, after due notice and opportunity for hearing, make adjustments in such prices.*^a

PRODUCER REFERENDUM

(19) *For the purpose of ascertaining whether the issuance of an order is approved or favored by producers, as required under the applicable provisions of this title, the Secretary may conduct a referendum among producers. The requirements of approval or favor under any such provision shall be held to be complied with if, of the total number of producers, or the total volume of production, as the case may be, represented in such referendum, the percentage approving or favoring is equal to or in excess of the percentage required under such provision. Nothing in this subsection shall be construed as limiting representation by cooperative associations as provided in subsection (12).*^b

^a This italicized subsection was added by sec. 2 (f) of the Agricultural Marketing Agreement Act of 1937.

^b This italicized subsection was added by sec. 2 (f) of the Agricultural Marketing Agreement Act of 1937.

(f) Section 8d (relating to books and records);

BOOKS AND RECORDS

SEC. 8d. (1) All parties to any marketing agreement, and all handlers subject to an order, shall severally, from time to time, upon the request of the Secretary, furnish him with such information as he finds to be necessary to enable him to ascertain and determine the extent to which such agreement or order has been carried out or has effectuated the declared policy of this title, and with such information as he finds to be necessary to determine whether or not there has been any abuse of the privilege of exemptions from the antitrust laws. Such information shall be furnished in accordance with forms of reports to be prescribed by the Secretary. For the purpose of ascertaining the correctness of any report made to the Secretary pursuant to this subsection, or for the purpose of obtaining the information required in any such report, where it has been requested and has not been furnished, the Secretary is hereby authorized to examine such books, papers, records, copies of income-tax reports, accounts, correspondence, contracts, documents, or memoranda, as he deems relevant and which are within the control (1) of any such party to such marketing agreement, or any such handler, from whom such report was requested, or (2) of any person having, either directly or indirectly, actual or legal control of or over such party or such handler, or (3) of any subsidiary of any such party, handler, or person.

(2) Notwithstanding the provisions of section 7, all information furnished to or acquired by the Secretary of Agriculture pursuant to this section shall be kept confidential by all officers and employees of the Department of Agriculture and only such information so furnished or acquired as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing brought at the direction, or upon the request, of the Secretary of Agriculture, or to which he or any officer of the United States is a party, and involving the marketing agreement or order with reference to which the information so to be disclosed was furnished or acquired. Nothing in this section shall be deemed to prohibit (A) the issuance of general statements based upon the reports of a number of parties to a marketing agreement or of handlers subject to an order, which statements do not identify the information furnished by any person, or (B) the publication by direction of the Secretary, of the name of any person violating any marketing agreement or any order, together with a statement of the particular provisions of the marketing agreement or order violated by such person. Any such officer or employee violating the provisions of this section shall upon conviction be subject to a fine of not more than \$1,000 or to imprisonment for not more than one year, or to both, and shall be removed from office.

(g) Section 8e (relating to determination of base period);

DETERMINATION OF BASE PERIOD

SEC. 8e. In connection with the making of any marketing agreement or the issuance of any order, if the Secretary finds and proclaims that, as to any commodity specified in such marketing agreement or order, the purchasing power during the base period specified for such commodity in section 2 of this title cannot be satisfactorily determined from available statistics of the Department of Agriculture, the base period, for the purposes of such marketing agreement or order, shall be the post-war period, August 1919-July 1929, or all that portion thereof for which the Secretary finds and proclaims that the purchasing power of such commodity can be satisfactorily determined from available statistics of the Department of Agriculture.

(h) Section 10 (a), (b) (2), (c), (f), (g), (h), and (i) (miscellaneous provisions);

MISCELLANEOUS

SEC. 10. (a) The Secretary of Agriculture may appoint such officers and employees, subject to the provisions of the Classification Act of 1923 and Acts amendatory thereof, and such experts as are necessary to execute the functions vested in him by this title; and the Secretary may make such appointments without regard to the civil service laws or regulations: *Provided*, That no salary in excess of \$10,000 per annum shall be paid to any officer, employee, or

expert of the Agricultural Adjustment Administration, which the Secretary shall establish in the Department of Agriculture for the administration of the functions vested in him by this title: *And provided further*, That the State Administrator appointed to administer this Act in each State shall be appointed by the President, by and with the advice and consent of the Senate. Title H of the Act entitled "An Act to maintain the credit of the United States Government," approved March 20, 1933, to the extent that it provides for the impoundment of appropriations on account of reductions in compensation, shall not operate to require such impoundment under appropriations contained in this Act.

(b) (2)¹⁰ Each order issued by the Secretary under this title shall provide that each handler subject thereto shall pay to any authority or agency established under such order such handler's pro rata share (as approved by the Secretary) of such expenses as the Secretary may find will necessarily be incurred by such authority or agency, during any period specified by him, for the maintenance and functioning of such authority or agency, other than expenses incurred in receiving, handling, holding, or disposing of any quantity of a commodity received, handled, held, or disposed of by such authority or agency for the benefit or account of persons other than handlers subject to such order. The pro rata share of the expenses payable by a cooperative association of producers shall be computed on the basis of the quantity of the agricultural commodity or product thereof covered by such order which is distributed, processed, or shipped by such cooperative association of producers. Any such authority or agency may maintain in its own name, or in the names of its members, a suit against any handler subject to an order for the collection of such handler's pro rata share of expenses. The several District Courts of the United States are hereby vested with jurisdiction to entertain such suits regardless of the amount in controversy.

(c) The Secretary of Agriculture is authorized, with the approval of the President, to make such regulations with the force and effect of law as may be necessary to carry out the powers vested in him by this title.¹¹ Any violation of any regulation shall be subject to such penalty, not in excess of \$100, as may be provided therein.

(f) The provisions of this title shall be applicable to the United States and its possessions, except the Philippine Islands, the Virgin Islands, American Samoa, the Canal Zone, and the island of Guam; except that, in the case of sugar beets and sugarcane, the President, if he finds it necessary in order to effectuate the declared policy of this Act, is authorized by proclamation to make the provisions of this title applicable to the Philippine Islands, the Virgin Islands, American Samoa, the Canal Zone, and/or the island of Guam.¹²

(g) No person shall, while acting in any official capacity in the administration of this title, speculate, directly or indirectly, in any agricultural commodity or product thereof, to which this title applies, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subsection shall upon conviction thereof be fined not more than \$10,000 or imprisoned not more than two years, or both.

(h) For the efficient administration of the provisions of part 2 of this title, the provisions, including penalties, of sections 8, 9, and 10 of the Federal Trade Commission Act, approved September 26, 1914, are made applicable to the jurisdiction, powers, and duties of the Secretary in administering the provisions of this title and to any person subject to the provisions of this title, whether or not a corporation. Hearings authorized or required under this title shall be conducted by the Secretary of Agriculture or such officer or employee of the Department as he may designate for the purpose. The Secretary may report any violation of any agreement entered into under part 2 of this title to the Attorney General of the United States, who shall cause appropriate proceedings to enforce such agreement to be commenced and prosecuted in the proper courts of the United States without delay.

¹⁰ Sec. 10 (b) (2) of the Agricultural Adjustment Act, as amended.

¹¹ Sec. 2 (g) of the Agricultural Marketing Agreement Act of 1937 deletes the following: "including regulations establishing conversion factors for any commodity and article processed therefrom to determine the amount of tax imposed or refunds to be made with respect thereto."

¹² Sec. 2 (h) of the Agricultural Marketing Agreement Act of 1937 deletes the sentence: "The President is authorized to attach by Executive order any or all such possessions to any internal-revenue collection district for the purpose of carrying out the provisions of this title with respect to the collection of taxes."

(i) The Secretary of Agriculture upon the request of the duly constituted authorities of any State is directed, in order to effectuate the declared policy of this title and in order to obtain uniformity in the formulation, administration, and enforcement of Federal and State programs relating to the regulation of the handling of agricultural commodities or products thereof, to confer with and hold joint hearings with the duly constituted authorities of any State, and is authorized to cooperate with such authorities; to accept and utilize, with the consent of the State, such State and local officers and employees as may be necessary; to avail himself of the records and facilities of such authorities; to issue orders (subject to the provisions of section 8c) complementary to orders or other regulations issued by such authorities; and to make available to such State authorities the records and facilities of the Department of Agriculture: *Provided*, That information furnished to the Secretary of Agriculture pursuant to section 8d (1) hereof shall be made available only to the extent that such information is relevant to transactions within the regulatory jurisdiction of such authorities, and then only upon a written agreement by such authorities that the information so furnished shall be kept confidential by them in a manner similar to that required of Federal officers and employees under the provisions of section 8d (2) hereof.

(j) *The term "interstate or foreign commerce" means commerce between any State, Territory, or possession, or the District of Columbia, and any place outside thereof; or between points within the same State, Territory, or possession, or the District of Columbia, but through any place outside thereof; or within any Territory or possession, or the District of Columbia. For the purpose of this Act (but in nowise limiting the foregoing definition) a marketing transaction in respect to an agricultural commodity or the product thereof shall be considered in interstate or foreign commerce if such commodity or product is part of that current of interstate or foreign commerce usual in the handling of the commodity or product whereby they, or either of them, are sent from one State to end their transit, after purchase, in another, including all cases where purchase or sale is either for shipment to another State or for the processing within the State and the shipment outside the State of the products so processed. Agricultural commodities or products thereof normally in such current of interstate or foreign commerce shall not be considered out of such current through resort being had to any means or device intended to remove transactions in respect thereto from the provisions of this Act. As used herein, the word "State" includes Territory, the District of Columbia, possession of the United States, and foreign nations.*¹³

(i) Section 12 (a) and (c) (relating to appropriation and expense);

APPROPRIATION

SEC. 12. (a) There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$100,000,000 to be available to the Secretary of Agriculture for administrative expenses under this title and for payments authorized to be made under section 8. Such sum shall remain available until expended.

To enable the Secretary of Agriculture to finance, under such terms and conditions as he may prescribe, surplus reductions¹⁴ with respect to the dairy- and beef-cattle industries, and to carry out any of the purposes described in subsections (a) and (b) of this section (12) and to support and balance the market for the dairy and beef cattle industries, there is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$200,000,000: *Provided*, That not more than 60 per centum of such amount shall be used for either of such industries.

(c) The administrative expenses provided for under this section shall include, among others, expenditures for personal services and rent in the District of Columbia and elsewhere, for law books and books of reference, for contract stenographic reporting services, and for printing and paper in addition to allotments under the existing law. The Secretary of Agriculture shall transfer to the Treasury Department, and is authorized to transfer to other agencies, out of funds available for administrative expenses under this title, such sums as are

¹³ This italicized subsection was added by sec. 2 (i) of the Agricultural Marketing Agreement Act of 1937.

¹⁴ Sec. 2 (j) of the Agricultural Marketing Agreement Act of 1937 deletes the words: "and production adjustments."

required to pay administrative expenses incurred and refunds made by such department or agencies in the administration of this title.

(j) Section 14 (relating to separability);

SEPARABILITY OF PROVISIONS

SEC. 14. If any provision of this title is declared unconstitutional, or the applicability thereof to any person, circumstance, or commodity is held invalid the validity of the remainder of this title and the applicability thereof to other persons, circumstances, or commodities shall not be affected thereby.

(k) Section 22 (relating to imports);

IMPORTS

SEC. 22. (a) Whenever the President has reason to believe that any one or more articles are being imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken, or to reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which any program is in operation, under this title, or the Soil Conservation and Domestic Allotment Act, as amended, he shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties and shall be conducted subject to such regulations as the President shall specify.

(b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such limitations on the total quantities of any article or articles which may be imported as he finds and declares shown by such investigation to be necessary to prescribe in order that the entry of such article or articles will not render or tend to render ineffective or materially interfere with any program or operation undertaken, or will not reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which any program is in operation under this title or the Soil Conservation and Domestic Allotment Act, as amended: *Provided*, That no limitation shall be imposed on the total quantity of any article which may be imported from any country which reduces such permissible total quantity to less than 50 per centum of the average annual quantity of such article which was imported from such country during the period from July 1, 1928, to June 30, 1933, both dates inclusive.

(c) No limitation restriction proclaimed by the President under this section nor any revocation, suspension, or modification thereof shall become effective until fifteen days after the date of such proclamation, revocation, suspension, or modification.

(d) Any decision of the President as to facts under this section shall be final.

(e) After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended by the President whenever he finds that the circumstances requiring the proclamation or provision thereof no longer exists, or may be modified by the President whenever he finds that changed circumstances require such modification to carry out the purposes of this section.¹⁵

Sec. 2. The following provisions, reenacted in section 1 of this act, are amended as follows:¹⁶

Sec. 3. (a) The Secretary of Agriculture, or such officer or employee of the Department of Agriculture as may be designated by him, upon written application of any cooperative association, incorporated or otherwise, which is in good faith owned or controlled by producers or organizations thereof, of milk

¹⁵ Sec. 5 of Public, No. 461, 74th Cong., approved February 29, 1936, amended sec. 22 of the Agricultural Adjustment Act, as amended, by inserting after the words "this title," wherever they appeared, the words "or the Soil Conservation and Domestic Allotment Act, as amended,"; and by deleting the words "an adjustment," wherever they appeared, and inserting in lieu thereof the word "any."

¹⁶ Subsections (a) to (j), inclusive, of section 2 of the Agricultural Marketing Agreement Act of 1937 are incorporated in the preceding text and in footnotes 2 to 9, inclusive, and 11 to 14, inclusive, supra.

or its products, and which is bona fide engaged in collective processing or preparing for market or handling or marketing (in the current of interstate or foreign commerce, as defined by paragraph (i) of section 2 of this act), milk or its products, may mediate and, with the consent of all parties, shall arbitrate if the Secretary has reason to believe that the declared policy of the Agricultural Adjustment Act, as amended, would be effectuated thereby, bona fide disputes, between such associations and the purchasers or handlers or processors or distributors of milk or its products, as to terms and conditions of the sale of milk or its products. The power to arbitrate under this section shall apply only to such subjects of the term or condition in dispute as could be regulated under the provisions of the Agricultural Adjustment Act, as amended, relating to orders for milk and its products.

(b) Meetings held pursuant to this section shall be conducted subject to such rules and regulations as the Secretary may prescribe.

(c) No award or agreement resulting from any such arbitration or mediation shall be effective unless and until approved by the Secretary of Agriculture, or such officer or employee of the Department of Agriculture as may be designated by him, and shall not be approved if it permits any unlawful trade practice or any unfair method of competition.

(d) No meeting so held and no award or agreement so approved shall be deemed to be in violation of any of the antitrust laws of the United States.

Sec. 4. Nothing in this act shall be construed as invalidating any marketing agreement, license, or order, or any regulation relating to, or any provision of, or any act of the Secretary of Agriculture in connection with, any such agreement, license, or order which has been executed, issued, approved, or done under the Agricultural Adjustment Act, or any amendment thereof, but such marketing agreements, licenses, orders, regulations, provisions, and acts are hereby expressly ratified, legalized, and confirmed.

Sec. 5. No processing taxes or compensating taxes shall be levied or collected under the Agricultural Adjustment Act, as amended. Except as provided in the preceding sentence, nothing in this act shall be construed as affecting provisions of the Agricultural Adjustment Act, as amended, other than those enumerated in section 1. The provisions so enumerated shall apply in accordance with their terms (as amended by this act) to the provisions of the Agricultural Adjustment Act, this act, and other provisions of law to which they have been heretofore made applicable.

Sec. 6. This act may be cited as the "Agricultural Marketing Agreement Act of 1937."

Exhibit 28.—PRESIDENT ROOSEVELT'S MESSAGE TO CONGRESS ON SUGAR LEGISLATION

TO THE CONGRESS OF THE UNITED STATES:

The expiration on December 31, 1937, of the quota provisions of the Jones-Costigan Act and Public Resolution No. 109 of June 19, 1936, and the existence of the public problems which have arisen as a result of discontinuance of the processing tax on sugar and benefit payments to sugar beet and sugarcane producers, make it desirable that the Congress consider the enactment of new legislation with respect to sugar. The Jones-Costigan Act has been useful and effective and it is my belief that its principles should again be made effective.

I therefore recommend to the Congress the enactment of the sugar quota system, and its necessary complements, which will restore the operation of the principles on which the Jones-Costigan Act was based. In order to accomplish this purpose adequate safeguards would be required to protect the interests of each group concerned. As a safeguard for the protection of consumers I recommend that provision be made to prevent any possible restriction of the supply of sugar that would result in prices to consumers in excess of those reasonably necessary, together with conditional payments to producers, to maintain the domestic industry as a whole and to make the production of sugar beets and sugarcane as profitable as the production of the principal other agricultural crops. In order to protect the expansion of markets for American exports, I recommend that no decrease be made in the share of other countries in the total quotas.

It is also highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by a quota system, or a tariff, should be expected

to guarantee that it will be a good employer. I recommend, therefore, that the prevention of child labor, and the payment of wages of not less than minimum standards, be included among the conditions for receiving a Federal payment.

I recommend that adequate provision be made to protect the right of both new and old producers of small acreages of sugar beets and sugarcane to an equitable share of the benefits offered by the program. In this connection I suggest also that you consider the advisability of providing for payments at rates for family-size farms higher than those applicable to large operating units.

Quotas influence the price of sugar through the control of supply; consequently, under a quota regulation of the supply of sugar, a tax may be levied without causing any adverse effect, over a period of time, on the price paid by consumers.

I recommend to the Congress the enactment of an excise tax at the rate of not less than .75 cent per pound of sugar, raw value. I am definitely advised that such a tax would not increase the average cost of sugar to consumers. An excise tax of this amount would yield approximately \$100,000,000 per annum to the Treasury of the United States, which would make the total revenue from sugar more nearly commensurate with that obtained during the period 1922-1929. It is also estimated that the total income of foreign countries from the sale of sugar in the United States under the quota system would not be less than that obtained during 1935, and, like the total income of domestic sugar producers, it can be expected to increase in future years as our consumption requirements expand.

In considering the enactment of any tax the Congress has regard for its social and economic effects as well as its ability to raise revenue. The social and economic effects of an adequate excise tax on sugar are so important to the welfare of the various groups affected as to constitute a necessary complement to the quota system. For this reason I recommend that neither the quotas nor the tax should be operative alone.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,
March 1, 1937.

Exhibit 29.—THE SUGAR ACT OF 1937

An act to regulate commerce among the several States, with the Territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States; to raise revenue; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Sugar Act of 1937.

TITLE I—DEFINITIONS

SECTION 101. For the purposes of this Act, except title IV—

(a) The term "person" means an individual, partnership, corporation, or association.

(b) The term "sugars" means any grade or type of saccharine product derived from sugarcane or sugar beets, which contains sucrose, dextrose, or levulose.

(c) The term "sugar" means raw sugar or direct-consumption sugar.

(d) The term "raw sugar" means any sugars which are principally of crystalline structure and which are to be further refined or improved in quality, and any sugars which are principally not of crystalline structure but which are to be further refined or otherwise improved in quality to produce any sugars principally of crystalline structure.

(e) The term "direct-consumption sugar" means any sugars which are principally of crystalline structure and which are not to be further refined or otherwise improved in quality.

(f) The term "liquid sugar" means any sugars (exclusive of sirup of cane juice produced from sugarcane grown in continental United States) which are principally not of crystalline structure and which contain, or which are to be used for the production of any sugars principally not of crystalline structure which contain, soluble nonsugar solids (excluding any foreign substances that may have been added) equal to 6 per centum or less of the total soluble solids.

(g) Sugars in dry amorphous form shall be considered to be principally of crystalline structure.

(h) The "raw value" of any quantity of sugars means its equivalent in terms of ordinary commercial raw sugar testing ninety-six sugar degrees by the polariscope, determined in accordance with regulations to be issued by the Secretary. The principal grades and types of sugar and liquid sugar shall be translated into terms of raw value in the following manner:

(1) For direct-consumption sugar, derived from sugar beets and testing ninety-two or more sugar degrees by the polariscope, by multiplying the number of pounds thereof by 1.07;

(2) For sugar, derived from sugarcane and testing ninety-two sugar degrees by the polariscope, by multiplying the number of pounds thereof by 0.93;

(3) For sugar, derived from sugarcane and testing more than ninety-two sugar degrees by the polariscope, by multiplying the number of pounds thereof by the figure obtained by adding to 0.93 the result of multiplying 0.0175 by the number of degrees and fractions of a degree of polarization above ninety-two degrees;

(4) For sugar and liquid sugar, testing less than ninety-two sugar degrees by the polariscope, by dividing the number of pounds of the "total sugar content" thereof by 0.972.

(5) The Secretary may establish rates for translating sugar and liquid sugar into terms of raw value for (a) any grade or type of sugar or liquid sugar not provided for in the foregoing and (b) any special grade or type of sugar or liquid sugar for which he determines that the raw value cannot be measured adequately under the provisions of paragraph (1) to (4), inclusive, of this subsection (h).

(i) The term "total sugar content" means the sum of the sucrose (Clerget) and reducing or invert sugars contained in any grade or type of sugar or liquid sugar.

(j) The term "quota", depending upon the context, means (1) that quantity of sugar or liquid sugar which may be brought or imported into the continental United States, for consumption therein, during any calendar year, from the Territory of Hawaii, Puerto Rico, the Virgin Islands, the Commonwealth of the Philippine Islands, or a foreign country or group of foreign countries; (2) that quantity of sugar or liquid sugar produced from sugar beets or sugarcane grown in the continental United States which, during any calendar year, may be shipped, transported, or marketed in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce; or (3) that quantity of sugar or liquid sugar which may be marketed in the Territory of Hawaii or in Puerto Rico, for consumption therein, during any calendar year.

(k) The term "producer" means a person who is the legal owner, at the time of harvest or abandonment, of a portion or all of a crop of sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar.

(l) The terms "including" and "include" shall not be deemed to exclude anything not mentioned but otherwise within the meaning of the term defined.

(m) The term "Secretary" means the Secretary of Agriculture.

TITLE II.—QUOTA PROVISIONS

SEC. 201. The Secretary shall determine for each calendar year the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the month of December in each year for the succeeding calendar year and at such other times during such calendar year as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending October 31 next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and changes in consumption, as computed from statistics published by agencies of the Federal Government with respect to inventories of sugar, population, and demand conditions; and in order that the regulation of commerce provided for under this Act shall not result in excessive prices to consumers, the Secretary may make such additional allowances as he may

deem necessary in the amount of sugar determined to be needed to meet the requirements of consumers, so that the supply of sugar made available under this Act shall not result in average prices to consumers in excess of those necessary to maintain the domestic sugar industry as a whole, and the amounts of such additional allowances shall be such that in no event will the amount of the total supply be less than the quantity of sugar required to give consumers of sugar in the continental United States a per capita consumption equal to that of the average of the two-year period 1935-1936.

SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

(a) For domestic sugar-producing areas by prorating among such areas 55.59 per centum of such amount of sugar (but not less than 3,715,000 short tons), on the following basis:

Area :	Per centum
Domestic beet sugar-----	41. 72
Mainland cane sugar-----	11. 31
Hawaii-----	25. 25
Puerto Rico-----	21. 48
Virgin Islands-----	. 24

(b) For foreign countries, and the Commonwealth of the Philippine Islands, by prorating 44.41 per centum of such amount of sugar (except, if such amount of sugar is less than 6,682,670 short tons the excess of such amount over 3,715,000 short tons) on the following basis:

Area :	Per centum
Commonwealth of the Philippine Islands-----	34. 70
Cuba-----	64. 41
Foreign countries other than Cuba-----	. 89

In no case shall the quota for the Commonwealth of the Philippine Islands be less than the duty-free quota now established by the provisions of the Philippine Independence Act.

The quota for foreign countries other than Cuba shall be prorated among such countries on the basis of the division of the quota for such countries made in General Sugar Quota Regulations, Series 4, Number 1, issued December 12, 1936, pursuant to the Agricultural Adjustment Act, as amended.

SEC. 203. In accordance with the applicable provisions of section 201, the Secretary shall also determine the amount of sugar needed to meet the requirements of consumers in the Territory of Hawaii, and in Puerto Rico, and shall establish quotas for the amounts of sugar which may be marketed for local consumption in such areas equal to the amounts determined to be needed to meet the requirements of consumers therein.

SEC. 204. (a) The Secretary shall, as he deems necessary during the calendar year, determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugar beets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any domestic area, the Commonwealth of the Philippine Islands, or Cuba, will be unable to market the quota for such area. If the Secretary finds that any domestic area or Cuba will be unable to market the quota for such area for the calendar year then current, he shall revise the quotas for the domestic areas and Cuba by prorating an amount of sugar equal to the deficit so determined to the other such areas, on the basis of the quotas then in effect. Any portion of such sugar which the Secretary determines cannot be supplied by domestic areas and Cuba shall be prorated to foreign countries other than Cuba on the basis of the prorations of the quota then in effect for such foreign countries. If the Secretary finds that the Commonwealth of the Philippine Islands will be unable to market the quota for such area for the calendar year then current, he shall revise the quota for foreign countries other than Cuba by prorating an amount of sugar equal to the deficit so determined to such foreign countries, on the basis of the prorations of the quota then in effect for such countries: *Provided, however,* That the quota for any domestic area, the Commonwealth of the Philippine Islands, or Cuba or other foreign countries, shall not be reduced by reason of any determination made pursuant to the provisions of this subsection.

(b) If, on the 1st day of September in any calendar year, any part or all of the proration to any foreign country of the quota in effect on the 1st day of

July in the same calendar year for foreign countries other than Cuba, has not been filled, the Secretary may revise the proration of such quota among such foreign countries, by prorating an amount of sugar equal to such unfilled proration to all other such foreign countries which have filled their prorations of such quota by such date, on the basis of the prorations then in effect.

Sec. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and adequate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prevent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, the Territory of Hawaii, or Puerto Rico, or may import or bring into continental United States, for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugar beets or sugarcane to which proportionate shares, determined pursuant to the provisions of subsection (b) of section 302, pertained; the past marketings or importations of each such person; or the ability of such person to market or import that portion of such quota or proration thereof allotted to him. The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made.

(b) An appeal may be taken, in the manner hereinafter provided, from any decision making such allotments, or revision thereof, to the United States Court of Appeals for the District of Columbia in any of the following cases:

(1) By any applicant for an allotment whose application shall have been denied.

(2) By any person aggrieved by reason of any decision of the Secretary granting or revising any allotment made to him.

(c) Such appeal shall be taken by filing with said court within twenty days after the decision complained of is effective, notice in writing of said appeal and a statement of the reasons therefor, together with proof of service of a true copy of said notice and statement upon the Secretary. Unless a later date is specified by the Secretary as part of his decision, the decision complained of shall be considered to be effective as of the date on which public announcement of the decision is made at the office of the Secretary in the city of Washington. The Secretary shall thereupon, and in any event not later than ten days from the date of such service upon him, mail or otherwise deliver a copy of said notice of appeal to each person shown by the records of the Secretary to be interested in such appeal and to have a right to intervene therein under the provisions of this section, and shall at all times thereafter permit any such person to inspect and make copies of appellants' reasons for said appeal at the office of the Secretary in the city of Washington. Within thirty days after the filing of said appeal the Secretary shall file with the court the originals or certified copies of all papers and evidence presented to him upon the hearing involved and also a like copy of his decision thereon and shall within thirty days thereafter file a full statement in writing of the facts and grounds for his decision as found and given by him and a list of all interested persons to whom he has mailed or otherwise delivered a copy of said notice of appeal.

(d) Within thirty days after the filing of said appeal any interested person may intervene and participate in the proceedings had upon said appeal by filing with the court a notice of intention to intervene and a verified statement showing the nature of the interest of such party, together with proof of service of true copies of said notice and statement, both upon the appellant and upon the Secretary. Any person who would be aggrieved or whose interests would be adversely affected by reversal or modification of the decision of the Secretary complained of shall be considered an interested party.

(e) At the earliest convenient time the court shall hear and determine the appeal upon the record before it, and shall have power, upon such record, to enter a judgment affirming or reversing the decision, and if it enters an order reversing the decision of the Secretary it shall remand the case to the Secretary to carry

out the judgment of the court: *Provided, however*, That the review by the court shall be limited to questions of law and that findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive unless it shall clearly appear that the findings of the Secretary are arbitrary or capricious. The court's judgment shall be final, subject, however, to review by the Supreme Court of the United States, upon writ of certiorari on petition therefor, under section 240 of the Judicial Code, as amended (U. S. C., 1934 ed., title 28, sec. 347), by appellant, by the Secretary, or by any interested party intervening in the appeal.

(f) The court may, in its discretion, enter judgment for costs in favor of or against an appellant, and other interested parties intervening in said appeal, but not against the Secretary, depending upon the nature of the issues involved in such appeal and the outcome thereof.

(g) The Government of the Commonwealth of the Philippine Islands shall make allotments of any quota established for it pursuant to the provisions of this Act on the basis specified in section 6 (d) of Public Law Numbered 127, approved March 24, 1934.

Sec. 206. Until sugar quotas are established pursuant to this Act for the calendar year 1937, which shall be within sixty days after its enactment, the quotas determined by the Secretary in General Sugar Quota Regulations, Series 4, Number 1, issued December 12, 1936, pursuant to the provisions of the Agricultural Adjustment Act, as amended, shall remain in full force and effect.

Sec. 207. (a) Not more than twenty-nine thousand six hundred and sixteen short tons, raw value, of the quota for Hawaii for each of the calendar years 1937, 1938, and 1939 may be filled by direct-consumption sugar; and not more than four thousand nine hundred and thirty-six short tons, raw value, of the quota for Hawaii for the calendar year 1940 may be filled, during the first two months of such year, by direct-consumption sugar.

(b) Not more than one hundred and twenty-six thousand and thirty-three short tons, raw value, of the quota for Puerto Rico for each of the calendar years 1937, 1938, and 1939 may be filled by direct-consumption sugar; and not more than twenty-one thousand and six short tons, raw value, of the quota for Puerto Rico for the calendar year 1940 may be filled, during the first two months of such year, by direct-consumption sugar.

(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

(d) Not more than eighty thousand two hundred and fourteen short tons, raw value, of the quota for the Commonwealth of the Philippine Islands for any calendar year may be filled by direct-consumption sugar.

(e) Not more than three hundred and seventy-five thousand short tons, raw value, of the quota for Cuba for any calendar year may be filled by direct-consumption sugar.

(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

Sec. 208. Quotas for liquid sugar for foreign countries for each calendar year are hereby established as follows:

Country:	<i>In terms of wine gallons of 72% total sugar content</i>
Cuba.....	7, 970, 558
Dominican Republic.....	830, 894
Other foreign countries.....	0

The quantities of liquid sugar imported into the continental United States during the calendar year 1937, prior to the enactment of this Act, shall be charged against the quotas for the calendar year 1937 established by this section.

Sec. 209. All persons are hereby prohibited—

(a) From bringing or importing into the continental United States from the Territory of Hawaii, Puerto Rico, the Virgin Islands, the Commonwealth of the Philippine Islands, or foreign countries, any sugar or liquid sugar after the quota for such area, or the proration of any such quota, has been filled;

(b) From shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar or liquid sugar produced from sugar beets or sugarcane grown in either the domestic-beet-sugar area or the mainland-cane-sugar area after the quota for such area has been filled;

(c) From marketing in either the Territory of Hawaii or Puerto Rico, for consumption therein, any sugar or liquid sugar after the quota therefor has been filled;

(d) From exceeding allotments of any quota or proration thereof made to them pursuant to the provisions of this Act.

SEC. 210. (a) The determinations provided for in sections 201 and 203, and all quotas, prorations, and allotments, except quotas established pursuant to the provisions of section 208, shall be made or established in terms of raw value.

(b) For the purposes of this title, liquid sugar, except that imported from foreign countries, shall be included with sugar in making the determinations provided for in sections 201 and 203 and in the establishment or revision of quotas, prorations, and allotments.

SEC. 211. (a) The raw-value equivalent of any sugar or liquid sugar in any form, including sugar or liquid sugar in manufactured products, exported from the continental United States under the provisions of section 313 of the Tariff Act of 1930 shall be credited against any charges which shall have been made in respect to the applicable quota or proration for the country of origin. The country of origin of sugar or liquid sugar in respect to which any credit shall be established shall be that country in respect to importation from which drawback of the exported sugar or liquid sugar has been claimed. Sugar or liquid sugar entered into the continental United States under an applicable bond established pursuant to orders or regulations issued by the Secretary, for the express purpose of subsequently exporting the equivalent quantity of sugar or liquid sugar as such, or in manufactured articles, shall not be charged against the applicable quota or proration for the country of origin.

(b) Exportation within the meaning of sections 309 and 313 of the Tariff Act of 1930 shall be considered to be exportation within the meaning of this section.

(c) The quota established for any domestic sugar producing area may be filled only with sugar or liquid sugar produced from sugar beets or sugarcane grown in such area: *Provided, however,* That any sugar or liquid sugar admitted free of duty from the Virgin Islands under the Act of Congress, approved March 3, 1917 (39 Stat. 1133), may be admitted within the quota for the Virgin Islands.

SEC. 212. The provisions of this title shall not apply to (1) the first ten short tons, raw value, of sugar or liquid sugar imported from any foreign country, other than Cuba, in any calendar year; (2) the first ten short tons, raw value, of sugar or liquid sugar imported from any foreign country, other than Cuba, in any calendar year for religious, sacramental, educational, or experimental purposes; (3) liquid sugar imported from any foreign country, other than Cuba, in individual sealed containers of such capacity as the Secretary may determine, not in excess of one and one-tenth gallons each; or (4) any sugar or liquid sugar imported, brought into, or produced or manufactured in the United States for the distillation of alcohol, or for livestock feed, or for the production of livestock feed.

TITLE III—CONDITIONAL-PAYMENT PROVISIONS

SEC. 301. The Secretary is authorized to make payments on the following conditions with respect to sugar or liquid sugar commercially recoverable from the sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar:

(a) That no child under the age of fourteen years shall have been employed or permitted to work on the farm, whether for gain to such child or any other person, in the production, cultivation, or harvesting of a crop of sugar beets or sugarcane with respect to which application for payment is made, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed; and that no child between the ages of fourteen and sixteen years shall have been employed or permitted to do such work, whether for gain to such child or any other person, for a longer period than eight hours in any one day, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed.

(b) That all persons employed on the farm in the production, cultivation, or harvesting of sugar beets or sugarcane with respect to which an application for payment is made shall have been paid in full for all such work, and shall have been paid wages therefor at rates not less than those that may be determined by the Secretary to be fair and reasonable after investigation and due notice and opportunity for public hearing; and in making such determinations the Secretary shall take into consideration the standards therefore formerly established by him under the Agricultural Adjustment Act, as amended, and the

differences in conditions among various producing areas: *Provided, however,* That a payment which would be payable except for the foregoing provisions of this subsection may be made, as the Secretary may determine, in such manner that the laborer will receive an amount, insofar as such payment will suffice, equal to the amount of the accrued unpaid wages for such work, and that the producer will receive the remainder, if any, of such payment.

(c) That there shall not have been marketed (or processed) an amount (in terms of planted acreage, weight, or recoverable sugar content) of sugar beets or sugarcane grown on the farm and used for the production of sugar or liquid sugar to be marketed in, or so as to compete with or otherwise directly affect interstate or foreign commerce, in excess of the proportionate share for the farm, as determined by the Secretary pursuant to the provisions of section 302, of the total quantity of sugar beets or sugar cane required to be processed to enable the area in which such sugar beets or sugarcane are produced to meet the quota (and provide a normal carry-over inventory) as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(d) That the producer on the farm who is also, directly or indirectly, a processor of sugar beets or sugarcane, as may be determined by the Secretary, shall have paid, or contracted to pay under either purchase or toll agreements, for any sugar beets or sugarcane grown by other producers and processed by him at rates not less than those that may be determined by the Secretary to be fair and reasonable after investigation and due notice and opportunity for public hearing.

(e) That there shall have been carried out on the farm such farming practices in connection with the production of sugar beets and sugarcane during the year in which the crop was harvested with respect to which a payment is applied for, as the Secretary may determine, pursuant to this subsection, for preserving and improving fertility of the soil and for preventing soil erosion, such practices to be consistent with the reasonable standards of the farming community in which the farm is situated.

The conditions provided in subsection (a) and in subsection (b) with respect to wage rates, of this section shall not apply to work performed prior to the enactment of this Act; and the condition provided in subsection (c) of this section shall not apply to the marketing of the first crop harvested after the enactment of this Act from sugar beets or sugar cane planted prior to such enactment.

SEC. 302. (a) The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugar beets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share for the farm, as determined by the Secretary, of the quantity of sugar beets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugar beets or sugarcane is grown to meet the quota (and provide a normal carry-over inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(b) In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugar beets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar and the ability to produce such sugar beets or sugarcane, and the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share-tenants, adherent planters, or share-croppers.

(c) Payments shall be effective with respect to sugar or liquid sugar commercially recoverable from sugar beets and sugarcane grown on a farm and which shall have been marketed (or processed by the producer) on and after July 1, 1937.

SEC. 303. In addition to the amount of sugar or liquid sugar with respect to which payments are authorized under subsection (a) of section 302, the Secretary is also authorized to make payments, on the conditions provided in section 301, with respect to bona-fide abandonment of planted acreage and crop deficiencies of harvested acreage, resulting from drought, flood, storm, freeze, disease, or insects, which cause such damage to all or a substantial part of

the crop of sugar beets or sugarcane in the same factory district (as established by the Secretary), county, parish, municipality, or local producing area, as determined in accordance with regulations issued by the Secretary, on the following quantities of sugar or liquid sugar: (1) With respect to such bona-fide abandonment of each planted acre of sugar beets or sugarcane, one-third of the normal yield of commercially recoverable sugar or liquid sugar per acre for the farm, as determined by the Secretary; and (2) with respect to such crop deficiencies of harvested acreage of sugar beets or sugarcane, the excess of 80 per centum of the normal yield of commercially recoverable sugar or liquid sugar for such acreage for the farm, as determined by the Secretary, over the actual yield.

SEC. 304. (a) The amount of the base rate of payment shall be 60 cents per hundred pounds of sugar or liquid sugar, raw value.

(b) All payments shall be calculated with respect to a farm which, for the purposes of this Act, shall be a farming unit as determined in accordance with regulations issued by the Secretary, and in making such determinations, the Secretary shall take into consideration the use of common work stock, equipment, labor, management, and other pertinent factors.

(c) The total payment with respect to a farm shall be the product of the base rate specified in subsection (a) of this section multiplied by the amount of sugar and liquid sugar, raw value, with respect to which payment is to be made, except that reductions shall be made from such total payment in accordance with the following scale of reductions:

That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value:	<i>Reduction in the base rate of payment per hundred-weight of such portion</i>
500 to 1,500.....	\$0. 050
1,500 to 6,000.....	. 075
6,000 to 12,000.....	1. 00
12,000 to 30,000.....	. 125
More than 30,000.....	. 300

(d) Application for payment shall be made by, and payments shall be made to, the producer or, in the event of his death, disappearance, or incompetency, his legal representative, or heirs: *Provided, however,* That all producers on the farm shall signify in the application for payment the per centum of the total payment with respect to the farm to be made to each producer: *And provided further,* That payments may be made, (1) in the event of the death, disappearance, or incompetency of a producer, to such beneficiary as the producer may designate in the application for payment; (2) to one producer of a group of two or more producers, provided all producers on the farm designate such producer in the application for payment as sole recipient for their benefit of the payment with respect to the farm; or (3) to a person who is not a producer, provided such person controls the land included within the farm with respect to which the application for payment is made and is designated by the sole producer (or all producers) on the farm, as sole recipient for his or their benefit, of the payment with respect to the farm.

SEC. 305. In carrying out the provisions of title II and III of this Act, the Secretary is authorized to utilize local committees of sugar beet or sugarcane producers, State and county agricultural conservation committees, or the Agricultural Extension Service and other agencies, and the Secretary may prescribe that all or a part of the expenses of such committees may be deducted from the payments herein authorized.

SEC. 306. The facts constituting the basis for any payment, or the amount thereof authorized to be made under this title, officially determined in conformity with rules or regulations prescribed by the Secretary, shall be reviewable only by the Secretary, and his determinations with respect thereto shall be final and conclusive.

SEC. 307. This title shall apply to the continental United States, the Territory of Hawaii, and Puerto Rico.

TITLE IV—EXCISE TAXES WITH RESPECT TO SUGAR

DEFINITIONS

SEC. 401. For the purposes of this title—

(a) The term "person" means an individual, partnership, corporation, or association.

(b) The term "manufactured sugar" means any sugar derived from sugar beets or sugarcane, which is not to be, and which shall not be, further refined or otherwise improved in quality; except sugar in liquid form which contains nonsugar solids (excluding any foreign substance that may have been added) equal to more than 6 per centum of the total soluble solids, and except also sirup of cane juice produced from sugarcane grown in continental United States.

The grades or types of sugar within the meaning of this definition shall include, but shall not be limited to, granulated sugar, lump sugar, cube sugar, powdered sugar, sugar in the form of blocks, cones, or molded shapes, confectioners' sugar, washed sugar, centrifugal sugar, clarified sugar, turbinado sugar, plantation white sugar, muscovado sugar, refiners' soft sugar, invert sugar mush, raw sugar, sirups, molasses, and sugar mixtures.

(c) The term "total sugars" means the total amount of the sucrose (Clerget) and of the reducing or invert sugars. The total sugars contained in any grade or type of manufactured sugar shall be ascertained in the manner prescribed in paragraphs 758, 759, 762, and 763 of the United States Customs Regulations (1931 edition).

(d) The term "United States" shall be deemed to include the States, the Territories of Hawaii and Alaska, the District of Columbia, and Puerto Rico.

TAX ON THE MANUFACTURE OF SUGAR

SEC. 402. (a) Upon manufactured sugar manufactured in the United States, there shall be levied, collected, and paid a tax, to be paid by the manufacturer at the following rates:

(1) On all manufactured sugar testing by the polariscope ninety-two sugar degrees, 0.465 cent per pound, and for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) On all manufactured sugar testing by the polariscope less than ninety-two sugar degrees, 0.5144 cent per pound of the total sugars therein.

(b) Any person who acquires any sugar which is to be manufactured into manufactured sugar but who, without further refining or otherwise improving it in quality, sells such sugar as manufactured sugar or uses such sugar as manufactured sugar in the production of other articles for sale shall be considered for the purposes of this section the manufacturer of manufactured sugar and, as such, liable for the tax hereunder with respect thereto.

(c) The manufacturer shall file on the last day of each month a return and pay the tax with respect to manufactured sugar manufactured after the effective date of this title (1) which has been sold, or used in the production of other articles, by the manufacturer during the preceding month (if the tax has not already been paid) and (2) which has not been so sold or used within twelve months ending during the preceding calendar month, after it was manufactured (if the tax has not already been paid): *Provided*, That the first return and payment of the tax shall not be due until the last day of the second month following the month in which this title takes effect.

For the purpose of determining whether sugar has been sold or used within twelve months after it was manufactured sugar shall be considered to have been sold or used in the order in which it was manufactured.

(d) No tax shall be required to be paid upon the manufacture of manufactured sugar by, or for, the producer of the sugar beets or sugarcane from which such manufactured sugar was derived, for consumption by the producer's own family, employees, or household.

IMPORT COMPENSATING TAX

SEC. 403. (a) In addition to any other tax or duty imposed by law, there shall be imposed, under such regulations as the Commissioner of Customs shall pre-

scribe, with the approval of the Secretary of the Treasury, a tax upon articles imported or brought into the United States as follows:

(1) On all manufactured sugar testing by the polariscope ninety-two sugar degrees, 0.465 cent per pound, and for each additional sugar degree shown by the polariscope test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) On all manufactured sugar testing by the polariscope less than ninety-two sugar degrees, 0.5144 cent per pound of the total sugars therein;

(3) On all articles composed in chief value of manufactured sugar, 0.5144 cent per pound of the total sugars therein.

(b) Such tax shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that for the purposes of sections 336 and 350 of such Act (the so-called flexible-tariff and trade-agreements provisions) such tax shall not be considered a duty or import restriction, and except that no preference with respect to such tax shall be accorded any articles imported or brought into the United States.

EXPORTATION, LIVESTOCK FEED, AND DISTILLATION

SEC. 404. (a) Upon the exportation from the United States to a foreign country, or the shipment from the United States to any possession of the United States except Puerto Rico, of any manufactured sugar, or any article manufactured wholly or partly from manufactured sugar, with respect to which tax under the provisions of section 402 has been paid, the amount of such tax shall be paid by the Commissioner of Internal Revenue to the consignor named in the bill of lading under which the article was exported or shipped to a possession, or to the shipper, if the consignor waives any claim thereto in favor of such shipper: *Provided*, That no such payment shall be allowed with respect to any manufactured sugar, or article, upon which, through substitution or otherwise, a drawback of any tax paid under section 403 has been or is to be claimed under any provisions of law made applicable by section 403.

(b) Upon the use of any manufactured sugar, or article manufactured therefrom, as livestock feed, or in the production of livestock feed, or for the distillation of alcohol, there shall be paid by the Commissioner of Internal Revenue to the person so using such manufactured sugar, or article manufactured therefrom, the amount of any tax paid under section 402 with respect thereto.

(c) No payment shall be allowed under this section unless within one year after the right to such payment has accrued a claim therefor is filed by the person entitled thereto.

COLLECTION OF TAXES

SEC. 405. (a) Except as otherwise provided, the taxes imposed by this title shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury. Such taxes shall be paid into the Treasury of the United States.

(b) All provisions of law, including penalties, applicable with respect to the taxes imposed under title IV of the Revenue Act of 1932, shall, insofar as applicable and not inconsistent with the provisions of this title, be applicable in respect to the tax imposed by section 402. If the tax is not paid when due, there shall be added as part of the tax interest at 6 per centum per annum from the date the tax became due until the date of payment.

(c) The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe such rules and regulations as may be necessary to carry out all provisions of this title except section 403.

(d) Any person required, pursuant to the provisions of section 402, to file a return may be required to file such return with and pay the tax shown to be due thereon to the collector of internal revenue for the district in which the manufacturing was done or the liability incurred.

EFFECTIVE DATE

SEC. 406. The provisions of this title shall become effective on the date of enactment of this Act.

TITLE V—GENERAL PROVISIONS

SEC. 501. For the purposes of this Act, except title IV, the Secretary shall—

(a) Appoint and fix the compensation of such officers and employees as he may deem necessary in administering the provisions of this Act: *Provided*, That all such officers and employees, except attorneys, economists, experts, and persons in the employ of the Department of Agriculture on the date of the enactment of this Act, shall be subject to the provisions of the civil-service laws and the Classification Act of 1923, as amended; *And provided further*, That no salary in excess of \$10,000 per annum shall be paid to any such person.

(b) Make such expenditures as he deems necessary to carry out the provisions of this Act, including personal services and rents in the District of Columbia and elsewhere, traveling expenses (including the purchase, maintenance, and repair of passenger-carrying vehicles), supplies and equipment, law books, books of reference, directories, periodicals, and newspapers.

SEC. 502. (a) There is hereby authorized to be appropriated for each fiscal year for the purposes and administration of this Act, except for allotments in the Philippine Islands as provided in subsection (g) of section 205, a sum not to exceed \$55,000,000.

(b) All funds available for carrying out this Act shall be available for allotment to the bureaus and offices of the Department of Agriculture and for transfer to such other agencies of the Federal Government as the Secretary may request to cooperate or assist in carrying out the provisions of this Act.

SEC. 503. There is authorized to be appropriated an amount equal to the amount of the taxes collected or accrued under title IV on sugars produced from sugarcane grown in the Commonwealth of the Philippine Islands which are manufactured in or brought into the United States on or prior to June 30, 1941, minus the costs of collecting such taxes and the estimates of amounts of refunds required to be made with respect to such taxes, for transfer to the Government of the Commonwealth of the Philippines for the purpose of financing a program of economic adjustment in the Philippines, the transfer to be made under such terms and conditions as the President of the United States may prescribe: *Provided*, That no part of the appropriations herein authorized shall be paid directly or indirectly for the production or processing of sugarcane in the Philippine Islands.

SEC. 504. The Secretary is authorized to make such orders or regulations, which shall have the force and effect of law, as may be necessary to carry out the powers vested in him by this Act. Any person knowingly violating any order or regulation of the Secretary issued pursuant to this Act shall, upon conviction, be punished by a fine of not more than \$100 for each such violation.

SEC. 505. The several district courts of the United States are hereby vested with jurisdiction specifically to enforce, and to prevent and restrain any person from violating the provisions of this Act or of any order or regulation made or issued pursuant to this Act. If and when the Secretary shall so request, it shall be the duty of the several district attorneys of the United States, in their respective districts, to institute proceedings to enforce the remedies and to collect the penalties and forfeitures provided for in this Act. The remedies provided for in this Act shall be in addition to, and not exclusive of, any of the remedies or penalties existing at law or in equity.

SEC. 506. Any person who knowingly violates, or attempts to violate, or who knowingly participates or aids in the violation of, any of the provisions of section 209, or any person who brings or imports into the continental United States direct-consumption sugar after the quantities specified in section 207 have been filled, shall forfeit to the United States the sum equal to three times the market value, at the time of the commission of any such, (a) of that quantity of sugar or liquid sugar by which any quota, proration, or allotment is exceeded, or (b) of that quantity brought or imported into the continental United States after the quantities specified in section 207 have been filled, which forfeiture shall be recoverable in a civil suit brought in the name of the United States.

SEC. 507. All persons engaged in the manufacturing, marketing, or transportation of sugar or liquid sugar, and having information which the Secretary deems necessary to enable him to administer the provisions of this Act, shall, upon

the request of the Secretary, furnish him with such information. Any person willfully failing or refusing to furnish such information, or furnishing willfully any false information, shall upon conviction be subject to a penalty of not more than \$1,000 for each such violation.

SEC. 508. No person shall, while acting in any official capacity in the administration of this Act, invest or speculate in sugar or liquid sugar, contracts relating thereto, or the stock or membership interests of any association or corporation engaged in the production or manufacturing of sugar or liquid sugar. Any person violating this section shall upon conviction thereof be fined not more than \$10,000 or imprisoned not more than two years, or both.

SEC. 509. Whenever the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall by proclamation suspend the operation of title II or III above, which he determines, on the basis of such findings, should be suspended, and, thereafter, the operation of any such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section.

SEC. 510. The provisions of the Agricultural Adjustment Act, as amended, shall cease to apply to sugar upon the enactment of this Act, and the provisions of Public Resolution Numbered 109, Seventy-fourth Congress, approved June 19, 1936, are hereby repealed.

SEC. 511. In order to facilitate the effectuation of the purposes of this Act, the Secretary is authorized to make surveys, investigations, including the holding of public hearings, and to make recommendations with respect to (a) the terms and conditions of contracts between the producers and processors of sugar beets and sugarcane and (b) the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane.

SEC. 512. The Secretary is authorized to conduct surveys, investigations, and research relating to the conditions and factors affecting the methods of accomplishing most effectively the purposes of this Act and for the benefit of agriculture generally in any area. Notwithstanding any provision of existing law, the Secretary is authorized to make public such information as he deems necessary to carry out the provisions of this Act.

SEC. 513. No tax shall be imposed on the manufacture, use, or importation of sugar after June 30, 1941, and the powers vested in the Secretary under this Act shall terminate on December 31, 1940, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1940 and previous crop years.

Approved, September 1, 1937.



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